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**FINANCIAL TIMES**

**Weekend FT**  
Inside Section II  
20 pages



**Where blazerati mix with bank managers**  
During Cowes week, yachts overflow the marinas and sailors cram the streets. It is the nearest the British get to a carnival page 1



**Any old irons**  
Golf's big hitters have moved into the salerooms in search of memorabilia page VII  
**Ready for the worst**  
How good are life insurance policies which pay out if you suffer a long-term illness? page III



**A degree of dispute**  
Christian Tyler interviews Colwyn Williamson, a philosopher who usually asks the awkward questions page XX  
**A chilled thrill**  
The cold climate of sherry: the page VIII

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

FT No. 31,515  
THE FINANCIAL TIMES LIMITED 1991

Weekend July 27/July 28 1991

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## WORLD NEWS

### No peaceful use for Iraq N-sites, says IAEA chief

There is no plausible peaceful explanation for Iraq's nuclear programme, according to Hans Blix, director-general of the International Atomic Energy Agency, the United Nations agency that monitors the spread of nuclear weapons. Page 2

**Indian troops killed**  
More than 100 Indian troops were killed when Muslim militants ambushed a 350-vehicle army convoy in Kashmir state on Thursday, Pakistan's official APP news agency said. No independent confirmation was available. Page 2

**Nine die in SA**  
Rival South African black groups killed nine people on Thursday in a nationwide flare-up of political violence, police said. Page 3

**Philippine quake**  
The Philippines suffered an earthquake measuring five on the Richter scale, floods and mudflows. Two people were electrocuted in the capital, Manila, while wading through floods up to 12 feet deep caused by monsoon rains. Page 3

**Tories on offensive**  
Senior British Conservatives began a concerted offensive against Labour with personalised attacks on Neil Kinnock, opposition leader, and claims that the tide of electoral support had switched in their favour. Page 5; Editorial comment, Page 6

**Parnes freed**  
British stockbroker Anthony Parnes was released from Ford Open Prison, Sussex, after serving 11 months of his 21-month sentence over the Guinness affair. Page 5

**BA pair to sue**  
Two crew members working on a British Airways flight from Birmingham to Malaga last June, when the pilot was almost struck by the cockpit of the BAC 1-11 after a window blew out at more than 20,000 ft, are suing the airline for distress and injury. Page 5

**Mansion House refit**  
The lord mayor's residence at the 18th-century Mansion House, in the City of London, closes this weekend for refurbishment costing between £20m and £30m. Page 4

**Animal tests fail**  
Safety testing of cosmetics on animals fell by nearly three-quarters from 12,000 experiments in 1989 to 4,365 in 1990, Home Office figures show. Page 4

**French headlines**  
France's distinctive yellow car headlights are to disappear, sacrificed on the altar of European harmonisation. Page 2

**Raider jailed**  
Armed raider Terrence Williams, who carried out 10 building society robberies in six weeks to fund a £500-a-day heroin habit, was jailed for 12 years at the Old Bailey, London. Page 10

**West Indies on top**  
West Indies reached 353-4 at the end of the second day of the fourth cricket Test at Edgbaston. England were all out for 185. Page 10

**What the doctor ordered**  
Rooms for private patients in the Boulton Price ward of Cheltenham General Hospital, one of the first NHS hospitals to opt-out, are being fitted with mini bars. Page 10

## BUSINESS SUMMARY

### US growth figures hailed as end of recession

US growth figures were hailed in Washington as confirmation that the US recession ended in the spring. The Commerce Department's "flash" estimate showed real gross national product rising at an annual rate of 0.4 per cent in the second quarter. This follows declines of 2.8 per cent and 1.6 per cent in the preceding quarters. Page 22

**LLOYDS Bank**, smallest of the Big Four UK clearers, beat market forecasts with half-year pre-tax profits of £331m, down on £408m in the same period last year. Page 8; Lex, Page 22

**UK EQUITIES**: Optimism regarding the domestic economy continued to sustain the market as it ended a highly successful two-week trading account with the FT-SE 100 index achieving new peaks. The

**FT-SE 100 Index**  
Hourly movements  
2,600  
2,590  
2,580  
2,570  
2,560  
2,550  
2,540  
2,530  
22 July 1991 23

FT-SE index closed at 2,589.3 for a gain of 9.7. The two week account has seen the Footsie index rise 91.9 as investors responded to signs that the UK recession may be bottoming out. Page 13; World stocks, Page 15; Lex, Page 22

**UK TREASURY**'s new chief economic adviser is to be Professor Alan Budd, group economic adviser to Barclays Bank. He succeeds Sir Terence Burns. Page 22; A dance to the pipers, Page 5

**CRYSLER**, the financially stretched US motor manufacturer, reported a second-quarter loss of \$212m (£126m) or 95 cents a share, compared with a profit of \$18m in the same period of last year. Page 10

**FORD UK** is to extend until the end of the year a planned three-day work week for its 6,500 workforce building Escorts and Orion at Halewood, Merseyside. Page 4

**BUDGENS**, the UK food retailer, asked for its shares to be suspended after they rose from 27p to 35p in significant trading volume. Page 8

**COMMERZBANK**, Germany's third largest bank, pushed up group first-half total operating profits by 38.1 per cent. The bank does not give a figure for its total operating profits. Page 10

**AETNA Life & Casualty**, the largest shareholder-owned insurance group in the US, revealed a \$44m fall in second-quarter after-tax profits to \$18m (\$55m) after adding a further \$78m to reserves for bad property-related investments. Page 10

**EUROPEAN Community** has agreed on a plan to limit imports of Japanese cars for seven years after the single market opens in 1992. It is designed to soften the effect of heightened competition in protected car markets primarily in France, Spain and Italy. The accord must still be approved by Japan. Page 2

## Gorbachev wins party backing for reforms

By John Lloyd in Moscow

**PRESIDENT** Mikhail Gorbachev yesterday won agreement from the Soviet Communist party's central committee to a programme committing the party to a pluralist market economy. It was another tactical victory for him, but he achieved it only by delaying the final adoption of the programme to an extraordinary party congress in November or December, and by denouncing the decree issued by Mr Boris Yeltsin, the Russian president, which bans party organisations in the workplace.

He said he would use all constitutional means, "up to and including a presidential decree", to oppose Mr Yeltsin's measure, which comes into effect next weekend. If acted upon, it would destroy the traditional strongholds of the party and make redundant the thousands of full-time party workers in enterprises.

A war of presidential decrees would breach the good relations between the two former rivals over the past three months.

The absence in the central committee of a strong challenge to Mr Gorbachev or to the programme, the drafting of which he personally oversaw, also reflected a party battered by economic chaos and public unpopularity. It is losing members at the rate of more than 2m a year.

Mr Leonid Abalkin, the former deputy prime minister and director of the Institute of Economics, said last night he explained the relative calm of the plenum by the fact that "the crisis in the country continues to deepen".

"There is a tremendous production slump, including in agriculture - the autumn and

winter are threatening. This draws political leaders together in face of impending danger, to unite, to give up personal ambitions in order to prevent social disaster."

Mr Abalkin said Mr Gorbachev had strengthened his position in recent months because of his intense activity at home and abroad. "It became clear to everyone... that he could head the democratic reforms in the country and integrate the various forces."

Mr Alexander Dzasokhov, a politburo member and head of the Supreme Soviet's committee on international affairs, said the central committee had concluded that the functions of general secretary of the party and of president of the state should remain united.

Fewer than 15 of the 358 central committee members who voted on the programme opposed its adoption or abstained, according to Mr Dzasokhov.

In Washington yesterday, White House officials said President George Bush was expected to use next week's summit with Mr Gorbachev to extend most-favoured-nation trade status to Moscow.

"We're going to try to have it ready by then," Mr Martin Fitzwater, White House spokesman, said, referring to the two-day summit in Moscow that begins on Tuesday. "We think there's a good chance."

In Moscow, a ministry official said MFR status would be welcomed by the Kremlin. "The time has come for such a decision. The climate is right," said Mr Igor Mordukhovich of the Foreign Economic Relations Ministry.

Gorbachev backing, Page 2



Sir Bryan Nicholson (right) welcomes Peter Lilley's proposals for greater competition

## Post Office monopoly on letters challenged

By Charles Leadbeater, Industrial Editor

BRITAIN'S Post Office could be opened up to much greater competition and subjected to tighter regulation, under government plans published yesterday.

The proposals, which flow from the Citizen's Charter launched by the prime minister earlier this week, would erode the Post Office monopoly by allowing competitors to enter the market for letters costing less than £1 to deliver.

Under the government's proposals, the competition threshold would be reduced to just above the price of a first class stamp.

The plans are part of a package designed to strengthen the regulation of the telecommunications and gas industries. Ofel, the telecommunications regulator, and Ofgas, the gas industry watchdog, will both

be invested with powers strengthening their ability to force BT and British Gas to compensate customers for poor service.

The introduction of greater postal competition was welcomed by Sir Bryan Nicholson, the Post Office chairman. However, there will be a period of intense bargaining between Sir Bryan and Mr Peter Lilley, the trade and industry secretary, about how much of a monopoly the Post Office should retain.

Mr Lilley said competition would not be allowed to threaten the Post Office's ability to offer a universal and uniform service nationwide. This could significantly limit the extent of competition.

The plans include the creation of an independent regulator, dubbed Ofpost. Its main

## Keeping cool en route to prayers

By Richard Tomkins in Abu Dhabi

MR Swaleh Naqvi, the man alleged by the Bank of England to be at the centre of the multi-billion dollar BCCI fraud, was on his way to prayers yesterday. He declined to say for whom, or for what. The former chief executive of BCCI spoke briefly, and reluctantly, to a tiny huddle of reporters who had traced him to the Al Ain Palace hotel in central Abu Dhabi.

Dressed in formal Pakistani attire of rounded cap and embroidered tunic, he looked dignified and cool in spite of sweltering midday temperatures of 37 deg C (99F). "I am very sorry you have had to come such a long way, but there is really nothing I can do," he said. "It would be inappropriate to say anything at this time. Everything is so uncertain." Mr Naqvi is resident at the Al Ain Palace while he helps his former employers unravel the mystery that has behind the spectacular collapse of BCCI.

In spite of the stress, life is not wholly irksome. He is ensconced in a poolside apartment, separate from the main hotel, let on a long-term rental of about 15,000 dirhams (£2,500) a month.

Mr Naqvi's few words yesterday as he left the hotel to step into a chauffeur-driven car. Three days earlier, he was reminded, Mr Robin Leigh-Pemberton, the governor of the Bank of England, told MPs in London that Mr Naqvi had kept secret files running to 6,000 pages containing details of a fraudulent "bank-within-a-bank" at BCCI.

What was Mr Naqvi's response? With a hand raised, and wearing an apologetic smile, he insisted his lips must remain sealed. "I am advised by my lawyers in Washington not to say anything. Now if you will excuse me, I am on my way to prayer." With a one-inch thick file firmly in his grasp, he was gone.

BCCI shutdown, Page 4  
Depositors' champion, Page 6

## Israel steps up settlement of occupied territories

By Roger Matthews

ISRAEL is to give away plots of land in the occupied territories in an attempt to settle more Jewish Israelis there, despite international appeals against the process.

The US has led protests against Israel's expanding settlement on the West Bank and Gaza in order to help moves towards a Middle East peace conference.

The Ministry of Defence confirmed yesterday that plots of land are to be given, free of charge, to Jewish people wishing to settle in the Arab territories that have been occupied by Israel since 1967. A spokesman said the government had taken the decision several months ago, but it had not been made public.

Nearly 100,000 Israelis have moved into the Palestinian areas during the past 20 years. Latest estimates suggest that Israel has now expropriated more than 50 per cent of the West Bank and Gaza. Existing plans allow for more than 200,000 Israelis to settle in the

territories which are home to 1.7m Palestinians.

The late President Anwar Sadat of Egypt warned at the time of his peace initiative 14 years ago that, unless the settlement building programme was halted, self-determination for the Palestinians would become almost impossible.

The exchange of the occupied territories for peace treaties with neighbouring Arab countries is at the heart of UN resolutions on the conflict.

The new offer of free land to settlers follows reports that Israel has expropriated more than 20,000 acres of land so far this year compared with 1,500 acres in the whole of 1988. Mr James Baker, the US secretary of state, recently described the settlements as the biggest single obstacle to peace.

ing, even if a peace conference got under way.

The probability that hundreds of thousands more Soviet emigrants will arrive in the years ahead has prompted speculation that the Israeli government will shortly ask the US for up to \$100m (£59m) in loan guarantees to assist in house-building programmes.

Palestinian leaders said yesterday that talks on a Middle East peace conference had reached an impasse. This could only be broken by Israeli concessions over Palestinian representation from occupied East Jerusalem.

Israel insists that Palestinians from East Jerusalem cannot take part in a peace conference. It has ruled out any discussion on the future of the eastern part of the city which was annexed in 1967.

However, Mr Yitzhak Shamir, the prime minister, said he was ready to begin the peace talks. "We must start negotiations and we want to start them now," he said.

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## INTERNATIONAL NEWS

## Tokyo holds out over EC car sales deal

By David Buchan in Brussels

A DEAL between Japan and the European Community on the sale of Japanese brand cars in the EC is being held up by the refusal by Tokyo to accept any curb on production inside the Community.

EC ambassadors of the Twelve yesterday agreed that Japan should be able to export freely to the Community in the year 2000, but that for a transition period, starting in 1993 and finishing in 1999, Japan should hold its direct shipments of cars to no more than 1.2m a year, roughly the present level.

The main dispute is - as it has long been - over the level of so-called transplants, Japanese cars made within the EC. The Commission formula is that it should declare that it does not expect Japanese transplant production to exceed 1.2m vehicles a year during the transition period.

Brussels' idea is that this would put the Community's concern on record without obliging Tokyo to give a formal undertaking. Any formal curbs on transplants would be moot under EC law, while an EC quota directed at imports from a specific country could be questioned under the trade rules of the General Agreement on Tariffs and Trade. This is why negotiations both within the EC and with Japan have been so shadowy over the past two years.

But Tokyo is "rejecting any mention of transplants in any way", said a Japanese diplomat last night.

Britain moved swiftly last night to try to ease Japanese

fears about transplants, most of which are currently made in the UK.

UK officials said they interpreted the Commission's estimate that EC-made Japanese cars would rise from about 380,000 last year to about 1.2m a year by 1999 "as a working assumption only". They added: "It is not a limit or constraint." If the figure about Japanese output in the EC were to rise, "it would not have an effect on direct exports", they stressed.

The proposed deal would set 1.2m as the overall ceiling for total annual Japanese car imports until end-1999. Within that, there would be subceilings of 190,000 cars a year for the UK, 150,000 for France, 138,000 for Italy, 79,000 for Spain and 23,000 for Portugal. Such national quotas are due to disappear in the single EC market after 1992.

Heavy trucks, buses and coaches will be forced to install speed limiters from October next year if draft measures put adopted by the European Commission become law, Andrew Hill adds from Brussels.

However, it may prove difficult for the Commission to win member states' approval. Earlier this month the Commission adopted a draft directive requiring new lorries to carry speed limiters. The plans announced yesterday would extend those requirements to certain heavy trucks and buses built since 1985. Vehicles over 12 tonnes would be limited to 80 kph and buses over five tonnes with more than eight places to 100 kph.



Delors: seeking an improved relationship with Tokyo

## Ambitious Delors takes a gamble over Japan

MR Jacques Delors, president of the European Commission, says he is laying his political reputation, particularly in France, on the line in extending a helping hand to Japan just when the EC's trade deficit with Tokyo is on the rise again and agreement on Japanese cars imports hangs in the balance.

Last week the EC and Japan signed a joint declaration, pledging "heightened international co-operation" reflecting "increasingly close ties". The Commission president said he talked France out of its insistence on references to economic reciprocity, which Tokyo had refused to accept.

The gamble might not pay off, Mr Delors said. He had taken a risk in the hope that by a formal political dialogue showing he does not regard the Japanese as "ants, or outcasts", a reference to French prime minister Edith Cresson's recent rhetoric, overall relations, including economic ties, would improve.

If this did not work, his own standing would suffer. "Sup-

pose I want to have a political career in France, I would be decimated", he said. Mr Delors has been increasingly talked of as prime minister, even president, of France, when his Brussels term ends next year.

## The Commission president talks to David Buchan

The desire for a fresh start in the Community's relations with Japan has created a sudden urge in Brussels to conclude two-year-old negotiations over Japanese car imports. The day after the joint EC-Japan declaration, Mr Delors used what was billed as a purely social lunch with Japanese prime minister Toshiki Kaifu to present the list of Commission representatives on a new working group on EC-Japanese trade. The Japanese leader was somewhat taken aback at this intrusion of business into social discourse. However, Mr Delors intends to

press Tokyo to name its representatives soon.

Last autumn Japan suggested to the EC that the two sides pledge to develop the fully-fledged relationship each has with the US. This provoked, said Mr Delors, a "deep misunderstanding" among the Twelve, with some EC governments such as the UK wanting to focus on political co-operation with Japan, and others such as France arguing for a trade accord only.

The Commission president claims he "rectified" this on a visit to Tokyo in May making clear his desire for improved political and commercial relations "based neither on fear nor on racism". He hopes the EC and Japan will co-operate more on the world political stage, but says the Japanese internal system is unlikely to produce rapid change.

"I consider that the politicians (of Japan) do not really govern. Behind them, there is an infrastructure (of business) which governs, whose motives are not always the best in the world".

## German fears confirmed as inflation hits 4.5%

By Andrew Fisher in Frankfurt

GERMAN government and central bank fears over the rapid rise in prices were confirmed yesterday with the announcement of a 4.5 per cent inflation rate in west Germany in July, the highest rate for nine years.

The extent of the increase in prices over July 1990, foreshadowed by news on price trends from individual German states, has already led to speculation about interest rate rises next

month. Mr Helmut Schlesinger, the deputy president of the Bundesbank who becomes president next month, said on Thursday that prices had risen even faster than expected.

The Federal Statistics Office said provisional estimates showed a rise in price of 1 per cent between June and July this year, fuelled by higher petrol taxes and telephone charges introduced to help pay for the high cost of German

unification. In June, the rate of consumer price increase was 3.5 per cent over the same month of last year.

In Bonn yesterday, Mr Dieter Vogel, the government spokesman, said the government shared Mr Schlesinger's concern about the pace of inflation. Mr Schlesinger, currently the Bundesbank's deputy president, said the central bank wanted to prevent a "catch-up" round of high wage settle-

ments next year aimed at offsetting higher prices.

The Bundesbank has already lowered its money supply growth target for 1991 from between 4 and 6 per cent to between 3 and 5 per cent. This partly reflected the conversion of east German deposits into longer term savings, but was also a signal of concern over west German price trends.

Yesterday, the D-Mark rose further as a result of Mr

Schlesinger's remarks, closing in Frankfurt at DM1.7355 against the dollar compared with an opening rate of DM1.7527.

Mr Schlesinger made clear a rise in the German discount rate, now 6.5 per cent, was a strong possibility when the Bundesbank next meets on August 15. However, he would not be drawn about the likelihood of an increase in the 9 per cent Lombard emergency funding rate.

## Go ahead for 'Baby Bells' to enter electronic services

By Martin Dickson in New York

A POTENTIAL revolution in the US electronic information services industry has been unleashed by a judge's reluctant decision to allow the huge regional "Baby Bell" telephone companies to enter the sector. The industry includes operations such as electronic banking, home shopping and electronic publishing.

If the ruling stands, the Bell companies, which own some 80 per cent of the local US telephone network, will become powerful competitors to information companies - including large newspaper groups - which use phone lines to deliver such services.

The landmark ruling came on Thursday from Federal Judge Harold Greene, who overruled the 1984 court-ordered break-up of American Telephone and Telegraph, which created seven regionally-based "Baby Bells".

However, the regional companies were barred from three areas for fear they might abuse

their local monopolies: long-distance telephone services, equipment manufacturing and the creation, but not the transmission, of information services.

Judge Greene, who periodically reviews the restrictions placed on the Bell companies, has in the past taken a hard line against any relaxation of the ban, despite intense lobbying by the telephone companies. However, last year an appeals court ordered him to review his information services ban.

Complying this week, the judge made clear his unhappiness at the change, saying "the most probable consequences will be the elimination of competition from that market and the concentration of the sources of information of the American people in just a few, dominant collaborative conglomerates, with the captive local telephone monopolies as their base."

In an unusual move, he

stopped his liberalisation ruling coming into effect until it had been reviewed by an appeals court. He said this was necessary so the Bell companies did not make business decisions which might later have to be scrapped.

This has set in motion a lengthy review procedure which could be fought all the way to the Supreme Court by opponents of liberalisation.

The Bell companies warmly welcomed the relaxation and said they would start planning special new services. Mr Edward Whitacre, chairman of Southwestern Bell, said the move "will finally open the door to the information age for many Americans".

Judge Greene's decision will also intensify the Bell's efforts to get other restraints on them removed. A bill currently before Congress would relax the equipment manufacturing ban. They are also keen to be freed from a bar on operating cable television services.



ACTION WOMEN: The all-female crew of an armoured vehicle of the Iraqi-backed National Liberation Army of Iran salutes during a parade to commemorate their 1988 incursion into Iran. The Mujahedeen force advanced 100 miles before retreating to Iraq

## Bloodshed mars EC talks with Yugoslavs

By Laura Silber in Belgrade

EUROPEAN and Yugoslav leaders yesterday held talks on the country's crisis against a background of further bloodshed and bombings in Croatia.

The foreign ministers of Italy, Austria, Hungary, Czechoslovakia, Poland and Yugoslavia, met in the Adriatic city of Dubrovnik for a two-day session with Yugoslavia's instability dominating the agenda. Mr Ante Markovic, the Yugoslav prime minister, attended the session yesterday. The foreign ministers will be joined by their prime ministers today. Leaders from Croatia and Slovenia, which declared independence on June 25, will meet separately with the European leaders.

In another crisis session, the Yugoslav state presidency, the country's eight-member rotating leadership, yesterday met to discuss the disbanding of illegal paramilitary formations, ordered by the presidency on May 9.

But the presidency, which remains split along familiar lines between Serbia and Croatia, is unlikely to take any measures which will stop the growing violence.

Three more soldiers from the Croat national guard were killed in overnight clashes amid accusations by Croatia that the federal army is staging "brutal attacks on the republic's territory".

Nearly 50 Croat policemen and members of the national guard have been killed over the past week.

Serbs killed another Croat policeman in an ambush between Otacac and Gospić.

The violence in Croatia since the republic declared independence has forced 44,316 people to flee, strife-torn regions according to figures released yesterday by the Red Cross. About 28,000 of the refugees are Serbs who have fled to neighbouring Serbia from Croatia.

## Minister quits after PM's wife complains

By Kerin Hope in Athens

THE Greek industry minister, Mr Stavros Dimas, has resigned after being publicly criticised by the prime minister's wife while on an official visit to the Soviet Union.

Mrs Mariika Mitsotakis reportedly complained to Mr Dimas at a Greek embassy reception in Moscow that he was not doing enough to help the 60 businessmen accompanying the Greek delegation.

However, Mr Dimas' main concern on the trip were to revive a lagging Greek-Soviet joint venture to build a \$800m (€37m) aluminium plant in Greece and to ensure that a \$15m pipeline bringing Soviet natural gas to Athens by 1994 will not be delayed.

The prime minister, Mr Constantine Mitsotakis, called the resignation "unfortunate".

Earlier, Mr Mitsotakis signed an agreement to open a \$100m credit line for the Soviet Union, of which \$35m would cover debts to Greek exporters.

## Democrats urged to support Gorbachev

By John Lloyd in Moscow

SOVIET democratic organisations should support Mr Mikhail Gorbachev, the Soviet leader, in a future presidential election, says Professor Stanislav Shatalin, the radical economist and leader of the newly-formed United Democratic Party.

Professor Shatalin, a former aide to Mr Gorbachev and an author of the "500 Days" plan of economic reform, said in an interview that the issue would be discussed at the congresses of his party, and of the Movement for Democratic Reform.

The Movement includes Mr Eduard Shevardnadze, the former foreign minister, Mr Alexander Yakovlev, a presidential aide, Mr Gavril Popov, mayor of Moscow and

Professor Shatalin himself - who remains a member of both the Movement and the UDF. "The Movement for Democratic Reform and my party will support him as candidate for president if he continues on his present course," he said. "It is not at all necessary that our presidential candidate comes from our own ranks."

Professor Shatalin said he expected presidential elections in the first half of next year. However, Mr Gorbachev must be prepared to leave the Communist Party, "if he stays in the CPSU he will not become president, that is quite clear".

The United Democratic Party is an offshoot of the Democratic Party of Russia.

## Soviet tax deal paves way for union treaty

By Leyla Boulton in Moscow

RUSSIA and the Soviet government have cleared the last obstacle to a new union treaty after Mr Boris Yeltsin, the Russian president, agreed to a federal taxation system, a senior adviser to President Mikhail Gorbachev said last night.

Mr Grigory Revenko, who is responsible for union treaty negotiations, said Mr Yeltsin had approved a long-debated compromise on taxation during talks on Thursday.

Russia had initially insisted on a single, republican, taxation system. Although Russian officials were unavailable to confirm that agreement had been reached, such an agreement would mean a fundamental plank for a new federal

Soviet Union has been secured.

Under the agreement, a fixed percentage of revenues from the taxation of enterprises in republics which signed the union treaty would go to the federal government. However, Mr Revenko said the percentage allocated to federal coffers and the question of who collected taxes had yet to be decided.

He brushed aside the possibility that these unresolved issues could still torpedo an initial agreement between the centre and Russia.

He predicted that the union treaty could be signed in the autumn, once other components for a new union, including its political structures, had been finalised.

## France's yellow headlights fade away

By George Graham in Paris

FRANCE'S distinctive yellow car headlights are to disappear, sacrificed on the altar of European harmonisation.

Mr Paul Quilès, the French transport minister, announced yesterday that he plans to change the highway code to legalise the white headlights used in virtually every other country.

Most countries in the European Community allow either white or yellow beams, but France insists on yellow. Germany, by contrast, demands white beams.

French carmakers yesterday welcomed the move, which will reduce the number of parts they have to stock and also offer a slight cost advantage.

"All the carmakers are in favour of white headlights. I can't think why it has taken so long to make the change," commented a Peugeot official.

There is more disagreement, however, on whether white headlights are safer than yellow.

Paris taxi drivers rarely switch on anything more illuminating than sidelights, so it is hard to obtain an opinion from them. Many French drivers, however, defend the yellow headlight as less dazzling than the white.

"White headlights produce 20 to 30 per cent more light than yellow, and in a country where all the headlights are white, and correctly adjusted, they are no more dazzling," said the Peugeot official. "Yellow lights can be a little better in fog, and although white produces more light that can also dazzle more," counters an official at rival carmaker Renault.

The transport ministry, however, quietly deflates this argument: "The original decision to impose yellow headlights in 1956 was a military decision designed to distinguish our vehicles from the Germans. With older models of headlight it is true that the yellow was less dazzling, but today there is no longer any technical advantage."

Mr Quilès's rule change will, at any rate, save foreign visitors the trouble of sticking yellow filters over their headlights when they enter France, with a penalty of FF450 (\$45) for failing to do so.

The British, however, will still have to fiddle about with masking tape to make their lights dip to the right.

Unemployment reached a record 2.72m in France last month, climbing to 9.4 per cent, compared with 9.3 per cent in May and 8.9 per cent a year earlier.

Inse, the government statistical institute, is predicting a further deterioration with unemployment expected to climb to 9.8 per cent by the end of 1991.

## 'No peaceful explanation for Iraq N-plants'

THERE is no plausible peaceful explanation for Iraq's nuclear programme, the head of the United Nations agency that monitors the spread of nuclear weapons said yesterday. Renter reports from Washington.

Mr Hans Blix, director-general of the International Atomic Energy Agency said Iraq's nuclear programme relied mainly on a technique that costs much more electricity than it would ever give from enriched uranium in nuclear power reactors.

A UN deadline for full Iraqi disclosure of its weapons of mass destruction passed on Thursday with the Bush administration charging that Baghdad had failed to comply fully.

Mr Blix said the UN team inspecting Iraq's nuclear facilities was seeking more information.

He said there might be more than the half kilogram of enriched uranium that Iraq admits it possesses.

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## Stasi general may cause some red faces in Bonn

THE German Bundestag committee investigating the complex affairs of Mr Alexander Schalck-Golodkowski, the former East German Stasi general, is to examine allegations that the finance minister in Bonn ignored large-scale tax evasion by two west German companies, report Leslie Collett and David Goodhart.

The allegations, made on a German TV programme, implicate Mr Theo Waigel, the finance minister and could cause serious political embarrassment in Bonn. Mr Waigel has denied the claims.

Mr Schalck-Golodkowski was head of the former East Germany's Ko-Ko (commercial co-ordination) company in

charge of procuring everything from Coca-Cola to luxury items for the political leadership and himself. He was also a Lieutenant General in the defunct Stasi security police.

The programme claimed that the finance ministry "on orders from above" refused to act on evidence found by its own Customs Service of massive tax evasion by two Bavarian companies with close links to Mr Schalck-Golodkowski. A computer print-out of the German Customs report appeared to show that the two companies, via subsidiaries in east Berlin, had imported 2,000 tons of beef cheaply from Czechoslovakia into East Germany in June of

last year. The beef is then said to have been sold, at a large profit, as EC meat after currency union between East and West Germany last July 1. The Finance Ministry was said to have been deprived of DM17m in unpaid taxes.

A finance ministry official however said it had no influence on investigations by the Customs Service as alleged. Both companies, Marx and Moksels, were major importers of meat from East Germany in deals approved by Mr Schalck-Golodkowski. The latter's dealings through the Ko-Ko company, including the suspected illegal transfer of large sums of money to Switzerland, are now being investigated by a special Bundestag committee and a Justice

Department unit in Berlin. The Bundestag inquiry is expected to take at least two years to complete.

Mr Erich Mielke, the Stasi chief, was supplied by Mr Schalck-Golodkowski with detailed reports on his contacts with west German politicians.

One of the most prominent of politicians he cultivated was Mr Franz-Josef Strauss, the late head of the Bavarian Christian Social Union.

Copies of Mr Schalck-Golodkowski's top-secret reports to Mr Mielke showed that he was informed by Mr Strauss on topics as varied as US evaluations of Soviet military power and Israel's experiences in combatting Soviet T-72 tanks.



## INTERNATIONAL NEWS

## Japan's economy shows signs of further slowing

By Steven Butler in Tokyo

INDUSTRIAL activity in Japan continued to slow in June, according to the Ministry of International Trade and Industry (MITI), while other statistics released yesterday showed stronger than expected increases in retail prices and strong retail sales.

The underlying trend however appeared to be of a gradual slowing of the economy, with pressure on prices expected to fall significantly in the coming months. Many analysts expect this would allow for further interest rate cuts by the end of the year.

"I think the statistics are consistent with an economy which has shifted down a gear or two and is operating below capacity," said Mr Russell Jones, an economist at UBS Phillips and Drew.

MITI reported that mining and manufacturing activity in June dropped by 2.7 per cent from May on a seasonally adjusted basis, marking two consecutive declines in industrial activity. Production was still 1.3 per cent higher than in June 1990. Most of the decline was accounted for by lower output of transportation, general and electrical machinery.

Sluggishness was also confirmed by rising inventory levels, with MITI's inventory index up 0.1 per cent from May and up 7.6 per cent

from a year earlier.

The government expects the production index to increase in July before falling off again in August.

The rate of consumer price increases in Tokyo, however, appeared to point to continuing strong demand in July, with prices rising 3.7 per cent compared to July 1990, according to the Management and Coordination Agency. This is up 0.2 percentage points compared to June. The Tokyo price survey provides an indication of nationwide trends.

Agency officials however appeared unconcerned about the rise and said that underlying price trends were stable. Much of the increase was accounted for by a 19.6 per cent rise in vegetable prices, due to the weather.

The headline inflation figure is expected to fall sharply in the months ahead, in part because of the sharp increase in oil price following Iraq's invasion of Kuwait which boosted prices a year ago.

June sales by large retailers in Japan increased by 8.3 per cent over the previous year to ¥1,787bn (£7,849m), MITI reported.

The Bank of Japan earlier predicted that Japan's broadly defined money supply would average 3 per cent higher this quarter than a year ago.

## Army seeks broader global role

By Steven Butler in Tokyo

JAPAN'S Self-Defence Agency yesterday stepped up its campaign to allow Japan's Self-Defence Force to play a broader role internationally, in disaster relief and in support of UN peace-keeping operations.

The agency for the first time included a special section in its annual white paper on defence and called for a national debate on the role of the SDF.

The government said it would send several members of the SDF to join a team that will inspect Iraqi chemical weapons in response to a request by the United Nations.

The foreign ministry said yesterday it was still considering whether to send the men as SDF members, or to transfer them to the foreign ministry and send them as foreign ministry officials, as hitherto.

The white paper expressed concern that the SDF was poorly understood by the Japanese people, who have generally opposed the deployment of Japanese troops abroad.

Japan's pacifist constitution has been interpreted by many as prohibiting any such deployment. Some of Japan's opposition parties have argued that the SDF should be disbanded.

Japan must also heed its Asian neighbours, who are sensitive to any hint of a revival of Japanese militarism.

The agency would like to see restrictions eased so that the SDF can freely participate in relief activities and peace keeping operations.



Nelson Mandela, on a tour of Latin America, watches as Cuban President Fidel Castro gestures during a speech

## Nine die in fresh South African violence

RIVAL South African black groups killed nine people on Thursday in a nationwide flare-up of political violence, police said yesterday. Rioters from Johannesburg.

A woman was shot dead on a Soweto railway station platform by a gang on a train bringing workers home from Johannesburg, police said.

A black man was burned to death in his car and another man hacked to death in separate attacks in Soweto on

Thursday, police said.

In Cape Town, a woman and two men burned to death when youths fire-bombed a shack in the Old Crossroads shanty town, where supporters of Nelson Mandela's African National Congress are at loggerheads with conservative black leaders.

Police said three black men were stabbed to death and four houses were fire-bombed around the Natal province town of Mooi River, where the

ANC is at war with the conservative Zulu-based Inkatha Freedom Party.

Civil rights workers estimate that more than 6,000 people have died in a power struggle between Inkatha and the ANC, about 2,000 of them in the past year alone.

The ANC has accused police and the army of siding with Inkatha in the fighting. Last week, a former soldier alleged in an interview with the New Nation newspaper that a shadowy army unit was behind several massacres on commuter trains around Johannesburg.

But South African police said on Thursday that 15 people had been arrested in connection with three train attacks and that none of them had links with the police or the army. He said the attacks appeared to have been linked to a gang war in the townships.

Man in the News, Page 6

## India offer to high tech companies

THE INDIAN government said yesterday it was willing to negotiate with multinationals wishing to invest in India in ventures involving more than 51 per cent ownership, writes K.K. Sharma in New Delhi. This is intended to encourage companies able to bring high technology into the country, and could involve 100 per cent ownership of their Indian ventures. A board is being established to hold negotiations.

This week the government announced a dramatic liberalisation of industrial policy, including permission for foreign equity ownership to be raised to 51 per cent from the 40 per cent allowed previously.

Yesterday Dr Manmohan Singh, the finance minister, said it would also be possible for foreign companies holding 40 per cent of equity in ventures in India to raise their holding to 51 per cent provided this did not result in a loss of foreign exchange.

Yesterday's move would make it possible for companies such as IBM to return to India. IBM withdrew from India in the late 1970s because it refused to dilute its 100 per cent equity holding.

Dr Singh said there was nervousness among multinationals operating in Hong Kong because of the coming integration with China and that India could prove to be an attractive alternative.

Most foreign companies wanted majority ownership to protect their technology, he said.

## Another bank admits illegal loans scheme

By Stefan Wagstyl in Tokyo

KYOWA Saitama Bank yesterday became the second Japanese bank this week to admit that an employee ran an illegal loan scheme using forged deposit certificates.

The bank, a leading commercial bank, last March sacked Mr Kazuo Toyama, deputy director of marketing for Tokyo, accusing him of fraud and forgery. The scheme he ran involved using forged deposit certificates worth ¥8bn (£34.5m) to obtain loans for clients when the bank itself was unable to lend sufficient money. The incident happened when banks found it hard to lend because of regulatory pressure to curb lending.

Fuji Bank earlier admitted that four employees had run a much larger scheme involving ¥260bn certificates of deposit.

Both banks insist that the incidents are isolated cases involving individual employees. But they have been criticised for lax supervision.

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## UK NEWS

## CAYMAN INQUIRY

## Police order computer search for illegal deals

By Bernard Simon in Toronto

THE liquidator of BCCI's extensive operation in the Cayman Islands is expected to start running computer programmes next week to ferret out criminal transactions routed through the Caribbean tax haven.

The Cayman police have already handed the liquidator a list of criteria to identify dubious transactions. The list, which has been incorporated into the computer software, includes deals with Colombia, Peru and Panama, three countries suspected of being involved in much of the criminal activity passing through BCCI's Cayman operation.



The list also includes names

of specific companies and individuals in various parts of the world suspected of laundering drug money and of other types of fraud. The police are said to be especially interested in deals that involve large amounts of money funnelled through small, innocuous-sounding businesses in the US, Britain and Canada.

Cayman-based BCCI (Overseas) with two affiliates, Credit and Finance Corporation (CFC) and International Credit and Investment Co (ICIC), controlled 29 offices around the world with total

1989 assets of US\$7bn. The Cayman operation has been implicated in several of BCCI's misdemeanours, including its clandestine ownership of banks in the US.

The liquidator, Mr Ian Wright of Deloitte Ross Tombs in Grand Cayman, has so far not advised the police of any suspicious accounts. Mr Wright has focused for the past three weeks on protecting the bank's assets and ascertaining its solvency.

With the help of a systems expert flown in from Canada, Mr Wright has converted all the

bank's records to Deloitte's own computer software.

Mr Alan Ratcliffe, the police commissioner, said he is also expecting a "deluge of applications" from the US and other countries seeking information on BCCI accounts. Under the Caymans' strict secrecy laws, any disclosure of bank records must be channelled either through the police or the island's Executive Council.

Prior to its closure, BCCI's Cayman managers notified the authorities of several suspicious accounts on their books.

The notifications were suspected however, of being a fake scam, designed to divert attention from the bank's main criminal activities.

BCCI's most famous money-laundering client was General Manuel Noriega, former president of Panama. His use of the bank had been identified by the US authorities in 1988.

The bank's Panama branch was also used to launder the drug profits of Colombian drug barons such as Pablo Escobar, who is also understood to have held accounts with one of BCCI's London branches.

## Ford will keep three-day week until year's end

By John Griffiths

FORD is to extend until the end of the year a planned three-day week for its 8,500 workers building Escorts and Orion at Halewood, Merseyside. The three-day week, which will begin in September, was intended to last only a month.

The company said: "Because there is no sign of the UK sales upturn we had hoped for, we've had no choice but to extend it." Ford's move comes only a week after the announcement by Rover that output of some of its main models is being reduced to four days a week. Most other manufacturers have taken similar measures already.

However, high demand from export markets is allowing Ford's Fiesta plant at Dagenham, Essex, to continue working normally, as it has done throughout the year. Unlike Halewood, which exports only Escort vans, the Dagenham plant is exporting 15,000 Fiestas a month, representing 60 per cent of its output.

It is now clear that without

the unusually strong export demand, the UK industry would be in far greater difficulties. Car sales in the year's first half were 24.8 per cent below year-ago levels, and a third down on 1989. However, output for export more than doubled in the same period, so that total production actually rose on a year-on-year basis by more than 6 per cent.

The industry fears, however, that a downturn that has already developed in some leading continental markets will accelerate in the second half of the year.

Halewood employees, who have already been on a four-day week for most of this year because of depressed demand, were told of the extended production cut backs yesterday on the eve of a five-week holiday shutdown. They will remain on full basic pay.

If the market does not improve, three-day working might be extended into next year. The cuts mean lost production of 1,100 cars with a showroom value of around £5m for each day not worked.

## DEPOSITORS PROTECTION SCHEME

## Banks start moves over provisions for final compensation

By Norma Cohen and By Richard Waters

THE CLOSURE of BCCI has forced Lloyds Bank to make a £15m provision against reserves in the first half of 1991 to cover its potential contribution to the Depositors Protection Scheme, a move likely to be followed by other clearing banks next week.

A Lloyds official said that although the bank's exact exposure was still not known, "we thought it was prudent to pick a figure". Solicitors acting for BCCI depositors estimate that banks could be forced to pay up to a total of £83m under terms of the Deposit Protection Scheme.

For a special levy, such as that needed to reimburse BCCI depositors, UK banks are to contribute according to their share of all sterling deposits placed by UK customers. Individual banks might have a potential liability of up to £1bn under the terms of the scheme.

Separately, Touche Ross, the provisional liquidator for BCCI in the UK, has asked the clearing banks to provide teams of bank auditors to help it trace assets and investigate the extent of the bank's activities.

Two of the big clearing banks are understood to have provided teams of staff to support the provisional liquidator.

tors. Compensation for BCCI's 48,400 UK depositors with sterling accounts (the only ones covered by the deposit protection scheme) is estimated to cost £83m. Of those customers, three quarters had deposits in BCCI of less than £1,000 each.

With a further 8,500 people with between £1,000 and £20,000 deposited, they will be paid three quarters of their money by the deposit protection scheme. The 3,100 people who had deposits of more than £20,000 will receive the maximum £15,000 back. The Deposit Protection Scheme last night remained their best chance of recovering any money.

Discussions about possible compensation between the Bank of England and representatives of the ruler and government of Abu Dhabi, BCCI's majority shareholders, had come to nothing by last night.

Lawyers representing creditors of the bank said privately that they did not hold out much hope of Abu Dhabi putting up any money for depositors in the UK.

They pointed out that Mr Robin Leigh-Pemberton, the governor of the Bank of England, had offered little hope that the bank might be relaunched in the UK.

## WORLD ROUND-UP

## Wind-up measures continue

JAPAN: The Tokyo branch of the BCCI will be liquidated, said Mr Tadao Chino, vice-minister of finance for international affairs. A Ministry of Finance (MoF) inspection last week determined that the BCCI Tokyo branch's liabilities may exceed its assets, Chino said.

On Monday, the MoF gave formal notice to Tokyo District Court that the branch has been closed and its assets frozen. The court appointed Mr Ichiro Kugisawa, a private attorney, as the liquidator. COLOMBIA: The Colombian arm of BCCI is for sale, Mr Luis Fernando Garcia, secretary-general of the Colombian bank, said three companies were interested in acquiring more than 80 per cent of its shares.

The Bogotá daily, El Espectador, said the sale was an emergency operation aimed at preventing BCCI's difficulties from dragging down the Colombian bank. It said the Colombian government was in favour of the sale. Mr Garcia said the sale might be completed soon.

The Colombian bank was not affected by the July 5 move to close BCCI branches worldwide, after allegations of widespread fraud, and has continued to operate normally.

## FIGHT FOR COMPENSATION

## Solicitors co-ordinate campaign

SOLICITORS representing BCCI depositors met yesterday to set up a co-ordinating committee aimed at securing the maximum compensation for their clients.

Committee chairman Mr David Pine of Manchester firm Alexander Tatham said that if the inquiry announced by the government last week established that the Bank of England was negligent in its regulation of BCCI, the 40-strong group would press for compensation.

"The objective... is to try to establish unified objectives and policies for assisting depositors, employees and others who have been affected by the collapse with a view to ensuring some sort of compensation," he said.

## PRIVATE JET LOANED

## UN chief accepted free flights

By Alan Friedman in New York

MR Javier Pérez de Cuéllar, secretary-general of the United Nations, denied any wrongdoing yesterday as his office disclosed that he had accepted complimentary travel on a Boeing 727 private jet supplied through BCCI.

Mr François Giuliani, spokesman for the UN chief, said the aircraft was made available to the administrative assistant of the secretary-general.

The group does not plan to make any moves before next Tuesday, when the petition to wind up BCCI is due to be presented in the High Court, although Mr Pine confirmed that individual solicitors were planning to oppose the winding-up order.

He said the group would support an attempt by Sheikh Zayed bin Sultan al-Nahyan, ruler of Abu Dhabi, to prevent the winding up if it meant depositors with cash in UK branches of BCCI were given their money back.

He did not believe there was any point in "ring fencing" assets in British branches as overseas creditors would still have the same legal rights to that money as British creditors.

"After Tuesday, the committee will decide what they feel is in the best interests of the depositors as a whole," he said. "That may well mean the setting up of a national investors' group."

The Law Society, the professional body for British solicitors, welcomed the formation of the co-ordinating committee.

Meanwhile Mr Keith Vaz, the Labour MP, has written to the prime minister asking him to help find a way of saving the parts of BCCI which were "not tainted by fraud".

A helpline is being set up next week to direct people hit by the bank shutdown to law firms within the co-ordinating group. The helpline numbers are: 071-320 5713/5721.

## Accountant fined over shares bought for baby

By Raymond Hughes, Law Courts Correspondent

AN ACCOUNTANT was fined £5,000 yesterday for what a judge described as a "crassly stupid" act of insider dealing.

Mr Frederick Stebbing, who admitted the offence, was acquitted by a jury at Knightsbridge Crown Court on two other charges under the Company Securities (Insider Dealing) Act, to which he had pleaded not guilty.

Mr Stebbing, a former senior partner in Stebbing Associates, bought 1,000 shares in Camotech, a supplier of car air filters and mouldings, in May 1987 when he knew it was about to bid for Forthill Aircraft Holdings. Mr Stebbing, a former Camotech director, had helped to broker the deal.

His counsel, Mr John Nut-

ting, said it had been "a somewhat technical" breach. In January 1987, Mr Stebbing had said he would buy some shares for his goddaughter's baby daughter. The matter slipped his mind until May, when he was reminded of it by the child's grandmother and bought the shares.

There was no suggestion that Mr Stebbing had gained anything from the purchase, Mr Nutting said. The shares, which had never been in his name, had later been sold.

Judge Lloyd, who ordered Mr Stebbing to pay £500 towards prosecution costs, said Mr Stebbing could have bought the child "any shares under the sun", but had bought Camotech.

## Rebuilding on the ruins of financial disaster

Kentish Property collapsed in 1989 with debts of £60m. Andrew Taylor surveys the aftermath

TWO years ago, almost to the day, Kentish Property, the Docklands and east London developer, collapsed with debts of more than £60m, marking the beginning of a property crash which has claimed hundreds of small and medium-sized property companies and builders.

On July 25 1989, Halifax Building Society and Security Pacific separately called in receivers to the company's two largest developments. Within a week, a liquidator had been appointed to the whole group.

Since then, J.A. Elliott, the Hertfordshire-based builder and developer, which was working on the two Kentish developments, has gone into administrative receivership.

Its failure, although unconnected with difficulties at Kentish, was caused similarly by plummeting property sales and prices.

For those owed money by failed companies, the misery can last a long time. Many never get repaid. Even large banks that have secured loans against individual properties can be kept waiting for several years.

Halifax and Security Pacific, the latter leading a consortium of six banks that lent money to Kentish, have only just reached the point at which they can expect to see debts starting to reduce.

To achieve that, the lenders have had to increase the size of the original loans. That has been necessary to enable the receivers to complete the



On completion: Roger Oldfield outside the Bow Quarter development in east London

two developments, construction of which had only just started when the group collapsed.

Kentish proposed to build 348 flats in eight blocks at Burrell's Wharf, on the Isle of Dogs in London's former Docklands. It had borrowed £22.5m from Halifax to build the development and 85 people had paid deposits totalling £1.5m to acquire flats.

Since then, Halifax has provided a further £13.5m to complete 150 flats in five blocks, increasing the amount it was owed to £36m. Mr Tony Richmond, of accountants KPMG

Peat Marwick and receiver at Burrell's Wharf, says 78 flats have been sold, raising £7m and reducing the total debt to £29m.

Many of the original depositors who were allowed by the building society to count their deposit as part of the purchase price, have moved into the development. Only about 30 have walked away, preferring to forfeit their deposit.

Those who stayed have acquired a home that they might have lost had Halifax not decided to complete the development. On the other hand, some may have paid a

higher price than subsequent purchasers, who were able to negotiate substantial discounts.

Mr Richmond says that sales of the remaining 72 flats should raise £10m to reduce the building society's debt even further. The next step will be to decide when to complete the remaining three blocks, containing 190 flats.

It still remains debatable whether Halifax - which in October made a £20m provision to cover losses at Burrell's Wharf - will get all its money back. The society, however, is in a lot better position than if

it had simply attempted to sell an uncompleted development in one of the UK's most distressed housing markets.

A similar picture has emerged at Bow Quarter, the former Bryant & May match factory in east London, where Kentish planned to construct 638 flats. Most of the former buildings were a shell when Mr Roger Oldfield, also of KPMG, was appointed receiver by Security Pacific.

Since then, 258 flats and town houses have been built and £20m raised from sales. That, however, has only covered the cost of construction. To get their money back, the banks from the US, Japan, Indonesia, France, Italy and Switzerland must also develop the rest of the site or sell it.

Mr Oldfield says: "The problem is that you cannot sell a flat in half-finished block. You must complete the whole development, or it is worthless. Therefore to get money back you may have to spend more money."

"Once you have sold sufficient flats to cover building costs, everything else becomes profit and the debt starts to fall sharply. We are in that position now."

Costs have included the construction of an underground car park and a leisure centre, with swimming pool and gymnasium, and the landscaping of the site, including gardens and a fountain.

Mr Oldfield says: "Depositors who wanted to pull out when Kentish failed claimed we would not build the leisure

centre. But we have provided everything we promised. As a result, this is a very fine development."

Miss Fredalinda Telfer, 31, a former computer software specialist who was one of 151 people who had paid deposits of up to £10,000. Although she wanted her deposit returned, she has moved into a flat at Bow Quarter.

She says: "Although the physical aspects of the development are fine, I still feel aggrieved about the way we were treated. This has tainted the whole affair for me. I would have preferred to move elsewhere."

Eighty-five of the original depositors have moved into the development.

Most trade creditors and 1,400 shareholders of Kentish Property, however, will receive nothing - even when construction has been completed in full.

Shares in the company, floated at 185p in October 1987, peaked at 342p just before the stock market crash in October 1987. When they were suspended in July 1989, the shares were worth 51p.

Mr Keith Preston, who with his wife Kay owned 69 per cent of the shares, was on holiday this week in the US. A former colleague said that the Kentish Property chairman and chartered surveyor, who had previously worked in Canada, planned to return to property development when the market improved. That could be many months away yet.

## Policewoman legal move approved

MISS Alison Halford, Britain's highest-ranking policewoman, yesterday won the first round of a legal battle to block disciplinary proceedings brought against her for alleged misconduct.

A High Court judge granted Miss Halford, 50, an assistant chief constable with the Merseyside force since 1983, leave to apply for judicial review.

Miss Halford says the decision that led to her suspension from duty last December was legally flawed and should be quashed. Mr Justice Tudor Evans ruled that she had an arguable case which should be heard as a matter of urgency. Meanwhile disciplinary proceedings would be stayed.

Miss Halford, a serving police officer for 28 years, was suspended on full pay after allegations of misconduct. She

said in the written grounds of her High Court challenge that she had been accused of being drunk while on duty and engaging in inappropriate sexual behaviour.

Yesterday the judge said she was facing charges of neglect of duty, drunkenness and discreditable conduct.

The allegations came after Miss Halford launched a claim before an industrial tribunal that she was the victim of unlawful sex discrimination when she was passed over for promotion to deputy chief constable.

The Merseyside Police Authority attempted to block her application for judicial review on the ground that she had no arguable case. The judge said the authority had failed to produce "a knock-out point".

Miss Halford claims that the authority's senior officers' discipline committee was never properly delegated to suspend her and start the Police Complaints Authority-supervised disciplinary proceedings.

The decision to delegate was taken by Mr George Brundred, the authority's chairman, and Mr Harry Rimmer, the vice-chairman, using powers under standing orders to take action in cases of urgency.

Miss Halford's lawyers argue that the two exceeded their powers, as it had not been a matter of urgency.

The judge said that although the Mr Brundred and Mr Rimmer might well turn out to have acted correctly on a proper construction of the standing orders, he could not conclude that Miss Halford's case was unarguable.

## Mansion House shuts for refit

By Alan Pike, Social Affairs Correspondent

ONE OF the City of London's most famous addresses, the lord mayor's residence at the 18th-century Mansion House, closes this weekend for refurbishment costing between £20m and £30m.

One of the Mansion House's most historic features - the lord mayor's justice room - will disappear from the redevelped building to make way for additional office space.

The justice room, the only surviving court in the world to be accommodated in a private residence, held its final sittings this week.

A new building will house both the Mansion House court and the one that sits at Guildhall.

The City Corporation has long connections with the administration of justice. Its

lord mayor and aldermen exercised judicial functions before the formal establishment of the commissions of the peace, which are usually traced back to the 12th century.

Today, the city's aldermen are the last surviving ex officio justices of the peace and until the 1970s had the unique power among lay magistrates of being permitted to sit alone.

Sir Alexander Graham, the lord mayor, will move to a temporary residence in Ironmonger Lane while the refurbishment takes place. His successor will be completely denied the use of the Mansion House.

In addition to its residential and ceremonial functions, the Mansion House is used for charitable activities. To maintain the private house atmo-

sphere, there is a tradition that the lord mayor is always present at such events.

Closure of the lord mayor's justice room marks the end of one of the City Corporation's many unique traditions.

In the longer term, the city's entire distinctive form of administration might be under threat from a future Labour government, which is proposing its integration into the conventional local-government structure.

Sir Alexander says: "We have to justify our existence and I believe we do."

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## UK NEWS

## DTI fails to halt Lonrho legal case

MR Norman Tebbit, a former trade and industry secretary, and the Department of Trade and Industry have failed to prevent Lonrho from bringing a High Court action against them claiming damages for alleged negligence, Raymond Hughes writes.

The court yesterday rejected their plea to strike out the action, which centres on their failure to advise the Fayed brothers had successfully bid for House of Fraser, to release Lonrho from an undertaking not to bid for the stores group.

Sir Edward du Cann, Lonrho's chairman, said later that it welcomed the opportunity to establish at trial the liability of Mr Tebbit and the DTI "to pay full compensation for the damage they caused Lonrho and its shareholders".

It was the second legal success in a month for Mr Roland "Fly" Rowland's international trading conglomerate in its long-running battle for control of House of Fraser. On June 27 the Law Lords ruled that it could go ahead with an action in which it alleges that the Fayed and their merchant banker conspired to injure it unlawfully by interfering with its business.

Sir Nicolas Browne-Wilkinson, the vice-chancellor - the senior Chancery judge - said yesterday that Lonrho claimed damages for economic loss resulting from its inability to bid.

## Labour exploits NHS resignation

OPPOSITION politicians yesterday quickly exploited the government's latest embarrassment over its health service reforms after the resignation of Mr Peter Burroughs, finance director of the GPs and Lewisham hospitals trust.

Mr Harriet Harman, shadow health minister, called on the government to cancel plans to allow further hospitals to become self-governing trusts while there was "such a great question mark" over the first wave.

The resignation of Mr Burroughs to take up another government post was confirmed by Mr William Waldegrave, health secretary, in a written Commons answer on Thursday. A GPs' trust statement said the decision arose from "differences of opinion between Mr Burroughs and the trust board".

## Parnes freed from prison

MR Anthony Parnes, one of the three men jailed for their parts in the Guinness affair, was released from Ford open prison yesterday, 11 months after his conviction.

Mr Parnes - the last of the trio to leave jail - was sentenced to 2½ years for his part in an illegal share support operation during Guinness's £2.7bn takeover battle for Distillers. His sentence was reduced to 21 months by the Court of Appeal in May.

He was eligible for parole immediately, but is understood to have been told he would not be released until late July.

Former Guinness chairman Ernest Saunders was freed on parole on June 28 after serving half his five-year sentence. Heron group chairman Gerald Ronson was released in February after serving six months of his 12 months sentence.

## CORRECTION

## Power plant plan

EUROPEAN Cellulose Manufacturers said it had agreed to sell part of its Humber-side site to IVO Energy, the Finnish generating company, which has plans to build a power station. Eurocell is not planning to build the power station as stated in Tuesday's FT.

## Tories' attacks start summer of political battles

By Ralph Atkins

SENIOR Tories began a concerted offensive against Labour last night with personal attacks on Mr Neil Kinnock, the opposition leader, and confident claims that the tide of electoral support had turned in their favour.

At the start of what both parties say will be an unrelenting political battle over the summer, government ministers stressed the leadership qualities of Mr John Major and his policy successes.

They also used a series of speeches - which are expected to be followed up by more today - to predict an early economic recovery.

Mr Charles Patten, Conservative party chairman, said Mr Kinnock was "deceitful and opportunistic". Socialism everywhere was "on the slide". Speaking in Belfast, he said: "Labour has sold its soul. It's done everything it can to put out a bad image. But there has been no 'lift off'. Instead the poll gap had closed. He is anxious that the Conservatives should not give Labour ground this summer because of inactivity."

Mr Michael Heseltine, envi-

ronment secretary, told Tories in Ilford, London, that the economy was "beginning to turn". As recession turned to expansion, "so public opinion will not only welcome the consequences of today's tough decisions but admit the resolution of those that took them".

He said the Citizen's Charter was "an exciting document". He added: "It is like the programme for a great concert performance."

Mr John Wakeham, energy secretary, said in Thurrock, Essex: "The tide has turned. The electorate can now clearly start to see how our economic policies really are working while Labour's wouldn't."

Mr Douglas Hurd, foreign secretary, said in a speech in Oxfordshire that Mr Kinnock's attacks on the prime minister this week over Bank of Credit and Commerce International showed Labour "will lack credibility and substance".

He added that Labour's defence policy, in spite of recent "clarifications" by Mr Gerald Kaufman, opposition foreign spokesman, was "as clear as mud".

## Labour condemns government publicity

By Ralph Atkins

GOVERNMENT departments plan at least 75 separate advertising campaigns, each costing £100,000 or more, ahead of the general election, Labour claimed yesterday.

All of the main departments except the Foreign Office will launch this autumn, according to an analysis by Mr Frank Dobson, the party's energy spokesman.

He said estimates by contacts in the advertising industry put the cost of promoting the Citizen's Charter launched this week by Mr John Major, the prime minister, at £2m. He described it as "plain, straightforward Tory propaganda".

Mr Dobson said Labour would favour similar controls to those restricting party political advertising by MPs.

He admitted that much of the government's advertising was legitimate but said it had the knock-on effect of giving the impression of a government "doing things". He described the promotion of the National Health Service

reforms and the poll tax as other Tory propaganda.

His figures, based on parliamentary written answers, put total advertising and promotional spending by government departments at £152m in 1991-92 which is more than five times as high as in 1985-86 - the run-up to the last election.

The Department of Trade and Industry plans 15 campaigns this year, more than any other department.

Mr Dobson estimates the total number of departmental campaigns at perhaps 100.

His figures in his study show 14 departments employing 33 publicity advisers, mostly advertising agencies. The Department of Health alone employs eight agencies.

Meanwhile, the Advertising Standards Authority has said it cannot intervene in a dispute between Labour and the Tories over Conservative posters with a "Government warning" about opposition policies. The authority received more than 100 complaints.

## A dance to the pipers of change

Peter Norman reports on the new economic adviser's appointment

PROFESSOR Alan Budd's appointment as the Treasury's chief economic adviser means that Britain's economic destiny will be largely in the hands of a trio of woodwind players who have a common background in the London Business School.

Prof Budd, 53, owns up to playing the clarinet badly. Sir Terence Burns, who was promoted from being chief economic adviser to permanent secretary at the Treasury in May, relaxed by playing the recorder. Mr Bill Robinson, who became a special adviser to Mr Norman Lamont, the chancellor, at the beginning of this year, is an accomplished bassoonist.

All three first achieved prominence as economists at the LBS. Sir Terence started as a researcher at the school in 1965. He rose to become a professor there and, as director of its Centre for Economic Forecasting, gained a reputation as an economist of strong monetarist leanings before becoming chief economic adviser in 1980.

It was then that Mr Budd, who had become an LBS research fellow in 1974, took over from Sir Terence at the Centre for Economic Forecasting, becoming a professor in 1981. Mr Robinson worked for him at the LBS until he left to become director of the independent Institute for Fiscal Studies in 1986.

"It will be more a reunion than a mafia," Prof Budd commented yesterday. While there is no doubt that he will enjoy being with his former LBS colleagues and with the higher echelons of the Treasury, he points out that some years have passed since the three worked at the LBS. He says that he has a lot to learn and will want to play himself in



Alan Budd: will play himself into his new job cautiously

cautiously when he moves into the Treasury early in September.

The Treasury will not be foreign to him. Prof Budd worked there between 1970 and 1974, first as an economic adviser and then as the senior economic adviser in charge of short-term forecasting. During the chancellorship of Mr Nigel Lawson, he was a member of the "goosey" - a group of outside economists who would meet about once a month over

before coming to a conclusion. Some months ago he was on record as saying that the Labour party was just as capable as the Conservatives of getting inflation down.

However, no one should underestimate the free market, liberal core to Prof Budd's thinking. His previous spell at the Treasury coincided with prime minister Edward Heath's experiment in corporatist government.

Prof Budd was later to brand as "absurd" the attempt at that time to make specific promises about growth in output and how it should be shared out between unions and business. He also has a healthy scepticism that befits anybody who has observed from close quarters how British governments have mastered and lost grip over inflation in recent years.

He also has his doubts about European economic and monetary union. As a man who built his reputation as a forecaster, working with econometric models, he has a realistic view of what such exercises can achieve.

Yesterday Prof Budd said his new job would be a "great challenge". It was "the best job" for an economist of his type in the country. Although he will be taking a cut in income from his present post as group economic adviser to Barclays Bank, he will have the compensation of knowing that his views will directly influence government policy.

Prof Budd is a plain speaker who speaks his mind and who oozes common sense.

Although the Labour party had no comment on his appointment yesterday, it would be strange if those qualities did not ensure that he serves his five-year term of office in the event of Labour winning the next election.

## Professor walks economic tightrope

By Tim Lawrence

PROFESSOR Alan Budd is an enigmatic economist who continues to walk a tightrope between monetarism and pragmatism.

Although many of Prof Budd's views on the economy coincide with those of the government, he still advised Mr Norman Lamont, the chancellor, last month that he "should take every opportunity to cut rates" and he supports co-ordinated pay bargaining.

Prof Budd advocates a stable macroeconomic environment with low inflation. "Stop-go adds to business uncertainty and raises the effective cost of capital. Low inflation not only reduces the risk that governments will be forced to curtail growth, it also eases the problems of corporate finance," he recently argued.

In February Prof Budd noted that fiscal policy must support the government's prime objective of cutting inflation. "The

current recession is a response to the long period of high interest rates which were raised deliberately to slow down domestic demand," he wrote.

The "unexpectedly abrupt" fall in consumer demand at the end of last year resulted in the current recession. He added: "The best chance for restoring sustainable growth is by establishing the credibility of the government's counter-inflationary policy. That means establishing confidence in sterling's membership of the ERM."

Prof Budd greeted Britain's entry into the exchange rate mechanism with relief and caution over how much it will affect people's lives. "The best one can hope is that we now have a more credible and therefore less painful method of bringing down inflation," he wrote last October. The DM2.95 entry rate would impose counter-inflationary restraint on busi-

nesses without causing an intolerable loss of competitiveness.

Narrow-band membership could only follow when Britain's inflation rate is closer to that of its European partners.

According to Prof Budd, joining the ERM takes away the government's choice about how fast inflation comes down. He wrote in *The Times* in January: "We have, in effect, sacrificed our choice of both the destination in terms of inflation and of how rapidly we reach it. The only question is the cost in terms of lost output and temporarily higher unemployment."

On the vexed question of the timing of a recovery, he recently argued that it may not begin before the fourth quarter. He wrote that the present recession is essentially caused by industry's lack of demand, whereas the last one was compounded by industry's lack of competitiveness.

## BBC plans TV news service for Asia

By Raymond Snoddy

THE BBC plans to launch a 24-hour-a-day television news service for Asia in a joint venture backed by Hutchison Whampoa, the Hong Kong conglomerate.

The channel, which might begin broadcasting before the end of this year on the AsiaSat 1 satellite, is seen as the first step in a strategy to compete worldwide with Cable News Network (CNN).

BBC World Service Television, launched in Europe six months ago, has an agreement with Hutchison, the Hong Kong television company, for the 24-hour service. The satellite can reach 40 nations from Turkey and Egypt in the west to Korea and Japan in the east and Indonesia to the south.

Hutchison, a joint venture between Hutchison Whampoa and a company controlled by Mr Li Ka-shing, a Hong Kong businessman, is already broadcasting a preview channel for its five-channel STAR-TV service.

Apart from the news channel STAR-TV plans to carry MTV, the American popular music channel, and a sports channel. There will also be a Chinese channel and a family entertainment channel.

The launch of the 24-hour news channel is dependent on the successful completion of negotiations with the Hong Kong government to protect its plans to cable Hong Kong.

The government specified that the STAR-TV satellite service could not broadcast in Cantonese, the language of southern China and of 98 per cent of the Hong Kong population. The service was also prevented from charging a subscription, something it wants permission to do.

Since then, plans to cable Hong Kong have all but collapsed and the government promised in October to review the conditions of STAR-TV's licence. The outcome has not yet been announced.

The BBC World Service television channel for Asia will be produced in London and broadcast in English, but sound tracks in Cantonese and other Asian languages are planned.

STAR-TV hopes eventually to reach the most affluent and influential 5 per cent in the region through satellite dishes and cable networks. There will be news on the hour, including Asian and business news, followed by BBC current affairs programmes. BBC World Television Service is a BBC subsidiary financed through BBC Enterprises, the corporation's commercial arm.

ISLE OF MAN GOVERNMENT  
FINANCIAL SUPERVISION COMMISSION NOTICE  
BANK OF CREDIT AND COMMERCE  
INTERNATIONAL SA

On 24th July the High Court in the Isle of Man adjourned consideration of a winding up order for BCCI SA's operations in the Isle of Man until 1 August 1991. The High Court in the UK had previously adjourned consideration of a petition for the winding up of BCCI SA's operations in the UK until 30 July.

Until a winding-up order is made the Depositors Compensation Scheme will not come into operation. Meanwhile preparations to activate the Scheme are being made and the Financial Supervision Commission as Scheme Manager will be in touch with depositors shortly after the Scheme comes into operation.

The Depositors Compensation Scheme provides for compensation, which may be payable in instalments over a period. Such compensation will be equal to 75% of an eligible deposit, with a maximum payout to any one depositor of £15,000. So, a person with a qualifying deposit of £10,000 would receive £7,500; a person with one of £20,000 would receive £15,000; but anyone with more than £20,000 would still only receive £15,000. Deposits in non-sterling currencies are eligible for compensation.

There are, however, certain exclusions from the Depositors Compensation Scheme. These include deposits held by people or institutions who are connected with the management or ownership of BCCI SA; other banks licensed in the Isle of Man or in any other country or territory outside the island; secured deposits or deposits with an original term of more than 5 years; deposits securing overdrafts or loans.

Deposits placed with other parts of the group outside the Isle of Man will not be eligible for compensation from the Isle of Man Depositors Compensation Scheme; but these may benefit from Deposit Protection Schemes in other jurisdictions.

Payments made to depositors by the Depositors Compensation Scheme will represent a claim of the Scheme on any assets that may later be available to the liquidator to repay the original depositor. So, if funds became available to the liquidator to pay depositors, the Depositors Compensation Scheme would get its money back first.

Depositors seeking assistance or clarification should in the first instance approach:-

Mr C.P.A. Vanderpump  
Provisional Liquidator  
for the Isle of Man Branch BCCI SA  
45 Victoria Street  
Douglas  
Isle of Man

Tel: 0624 621000

Isle of Man Government  
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## THE BLUE ARROW TRIAL

## Solicitor gave 'sarcastic response'

By John Mason

A SOLICITOR for County NatWest during the Blue Arrow affair gave his clients a "sarcastic response" rather than clear advice over the discovery that National Westminster Bank had a disclosure stake in the company, the trial heard yesterday.

Interviewed by Department of Trade and Industry inspectors in early 1987, Mr Alan Keat, a partner with Travers, Smith, Brathwaite, and one of the defendants, was asked why he had failed to spell out to County directors their obligation to report the holding.

According to his evidence to the DTI, read out by the prosecution, Mr Keat said that, at a meeting called to review

County's holdings in Blue Arrow after the stock market crash, he made only a sarcastic response when the issue was raised. He said: "My point was frankly that it was their responsibility; they knew exactly what the legal situation was. They were grown men and they really had to decide where they were."

He had earlier advised that the holding should not be treated in isolation. It had been a "travesty" when the Bank of England told that he had advised that no further action was necessary.

County NatWest, NatWest Investment Bank, UBS Phillips & Drew and seven individuals deny conspiring to mislead the

markets over the outcome of the issue by secretly buying shares in the company.

Before the issue closed, Mr Nigel Camplin-Smith, another partner with the law firm, had advised County over avoiding disclosure obligations. He had drafted a profit-and-loss-sharing agreement to allow County to indemnify third parties, which Mr Keat later approved.

Asked if that indemnity broke the spirit of the Companies Act, Mr Keat said he took the "lawyer's posture" - leaving questions of morality to his clients and advising only on the legality of the issue.

The lawyers were not consulted when County then bought its shares and split

them into parcels. They were unaware of any kind of guarantee to its marketmakers, he said.

When asked later about the legality of transferring all the shares to the parent bank and backdating the transaction, Mr Keat advised County: "That is the quick way to go to the Old Bailey."

Mr Martin Gibbs, a former P&D director and another defendant, told the DTI that at the meeting after the issue had closed and the advisers bought their shares, he had questioned the legality of the move. He was assured it was "perfectly all right" and went home with a clear conscience.

The trial continues on Monday.



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## Conservative summertime

BRITAIN'S Conservative party is in considerably better shape today than it was six weeks ago. Then, the government was in a shambles, still recovering from the humiliation of the Monmouth by-election defeat and apparently unable to do anything to counter the unceasing string of Labour policy launches. The Tories fell as far as 10 points behind in the opinion polls in May and June. The economy seemed destined for a long recession, and at best a very slow and shallow recovery. There was a general expectation that whenever the election came, Labour would win. Now, Labour's poll lead is less than half what it was while the conventional wisdom is that there may be a fourth Conservative victory after all.

The parliamentary term ended the week with a Tory flourish. The prime minister announced his citizen's charter on Monday, nearly obscuring the publication of unexpected news about a \$1.2bn estimated balance of payments surplus in June. One month's figures do not in themselves mean much but, combined with a spurt in retail trade last month, the statistics gave rise to a widespread if perhaps unduly optimistic feeling that the recession is starting to bottom out. The subsequent breakthrough to new highs on the London stock exchange may owe something to this perception. When people start spending rather than saving the money put in their pockets by the series of interest rate cuts the recovery should accelerate.

## Wishful thinking

On Tuesday Mr Major saw off Mr Kinnock in an angry question-time exchange over the BCCI affair. The leader of the opposition is on a hiding to nothing over BCCI: to believe that he will wrinkle out conclusive evidence of negligence or impropriety on the part of a prime minister who has thrice denied all knowledge of the fraud at the bank can only be wishful thinking. On Wednesday the government published its green paper on new trade union laws. Whatever its intrinsic merits it can do no political harm to the Conservatives, and it might even do them some good. That evening a Tory party political broadcast sought to cement the impressions given by the Citizen's Charter launch, the most notable of which is that the Conservatives are once again in favour of public services.

The most significant political change in recent weeks is, however, none of these. It is, rather, the emergence of the prime minister as a man who feels increasingly comfortable

in his new post. The recent meeting of heads of government of the Group of Seven industrial countries, plus Mr Gorbachev, in London was of enormous benefit to him; the fact that he was the official host was a political bonus. The appellation "ditherer" is now forgotten; the questions about whether an outward appearance of meanness is enough are no longer asked. As to being "Mrs Thatcher's poodle," Mr Major has distanced himself from his predecessor with an open row with her. In substance, his domestic social and economic policies are not as different from hers as is widely supposed: in style the difference is absolute.

## Breathless Labour

Meanwhile the Labour party appears to have reached a plateau from which Conservatives hope it may begin to subside. Its standing in the opinion polls remains somewhere around the 40 per cent-plus mark, sufficient to deny the Tories an overall majority in any election, but not necessarily enough to guarantee a Labour victory. The series of spring policy launches may have left Labour breathless, Mr Kinnock, well behind Mr Major in the public preference for prime minister, has refurbished his party but now seems to have little new or radical left to offer.

Labour is, instead, currently preoccupied with rooting out the remnants of its far-left militant infiltrators. Its mildly corporatist policies will be attractive to many British voters, but when the election campaign is fought the Conservative answer will be that their anti-stateist thrust is less costly to taxpayers. As to the Liberal Democrats, they have recently lost some of the disgruntled Tories they attracted earlier in the year, but they remain solidly established as a credible third party. The degree to which they attract votes from the other two parties will have a significant effect on polling day.

The outlook therefore remains unsettled. Mr Major is unlikely to call an election this year unless he has a run of at least three or four months of solid Tory opinion poll leads. For that to happen in time for a November election would require a remarkable turnaround starting next month. Failing that, he would probably wait until May next year. There is no way of predicting today what will influence the voters so far ahead. An electorate that is as apparently fickle as the 1991 run of polls suggests ours is cannot be taken for granted by any party.

With the inexorable force of a bulldozer, the stock market scandal that has gripped Japan claimed another victim this week and looks like moving down others before it runs its course.

It started with the resignation of Mr Setsuya Tabuchi, the chairman of Nomura Securities, the world's biggest securities company, which is at the centre of the scandal. And it culminated with the day-long parliamentary cross-examination of finance ministry officials, including Mr Ryutaro Hashimoto, the slick and ambitious finance minister.

As in a Greek play events seemed to move relentlessly along a pre-determined course. Mr Tabuchi's possible resignation had been in the air ever since Mr Yoshihisa Tabuchi, Nomura's president, quit a month ago. The parliamentary committee meeting proved enthralling - in the streets of baking hot Tokyo, people watched reports on television in shop windows. The passion the affair has aroused needs some explanation. In the US and much of Europe, a financial scandal without falling into the headlines of serious newspapers. In Japan, the story is splashed even in the sports-and-sex papers. There are some familiar faces. Mr Hashimoto was, until recently, the most popular politician in Japan, and while there is no suggestion that he was involved in any wrongdoing, the scandal has surfaced on his watch. His possible resignation is a big talking point.

The mystery of the company figures even higher in the public consciousness. The scandal centres on compensation paid to important clients for trading losses, notably after the 1987 crash. At least 10 companies have admitted making such payments. But it is Nomura's name which is on everyone's lips, partly because it is the industry leader and partly because Nomura is a company people love to hate. They envy its size and the salaries it pays. And they are troubled by its colossal profits - which at their peak exceeded those of Toyota Motor, the number one car maker. Imbued with a culture which teaches the virtues of a good day's pay for a good day's work, many ordinary Japanese think there must be something wrong when *tabuya* (barrow-boys) make more money than honest manufacturers.

Adding still more spice to the affair is the fact that Nomura is involved not in one scandal but in three. Nomura has been forced to admit that it has links with gangsters, who use funds borrowed from Nomura and others to buy stock in Tokyo Corporation, a railway and property company. But there is more to the scandal than a story of the rich and famous getting their comeuppance. Underneath all the excitement are some deep-rooted concerns about the Japanese economy and a modicum of hope that some of the

Japan's market scandal has stirred public anger, writes Stefan Wagstyl

## Dog days of a drama



Bowling to the reality of scandal: Nomura Securities chairman Setsuya Tabuchi (left) and president Hideo Sakamaki

injustices revealed in the affair may be put right. Many Japanese feel they are being treated to a rare glimpse of widespread habits which hardly ever come into the open.

Unified by a sense of having jointly rebuilt the country since the second world war, most Japanese describe themselves as middle-class. But the rapid increase in land and stock prices in the 1980s allowed many moderately rich people - especially landowners - to turn themselves almost effortlessly into a super-rich class. The speed of their ascent was accelerated by the fact that the taxation of earned income is much heavier than that of capital gains, where loopholes abound.

The compensation payments show that despite a decade of reform, big stock market clients receive favours which ordinary customers do not. The distinction is repeated in the rest of commercial life. Banks, department stores and restaurants are far more willing to give preferential treatment to big-spending customers than they are in the UK or the US.

The revealed links between securities companies and gangsters compound the public sense of outrage. These incidents show the increasing penetration of gangster organisations into mainstream business. The gains made in stocks and property in the

1980s persuaded many gangsters to plough the proceeds of crime into legitimate investments. The shift has been so great that the justice ministry recently warned banks and others to be on their guard. However, it would be wrong to conclude from the drama of this week that Japanese people are on the verge of securing a revolution in corporate culture or even in stock market practice. Their anger is tempered by tolerance.

The Japanese acknowledge that their economy has served them well since the second world war. They are the only non-western country to have joined the ranks of the world's leading industrial nations. Peace and prosperity breed stability. Moreover, they lack an idealistic moral tradition in which right and wrong are clearly defined. "Everything depends on the situation," is a more common precept.

So although the scandal may accelerate the process of reform, especially if the US and other foreign countries demand changes, it will be piecemeal. "Step-by-step" and "case-by-case" are the favourite catchwords.

Some foreigners will seize upon the scandals as evidence that despite a decade of internationalisation, Japanese ways of business have changed little. Relations with customers are shrouded in secrecy, with pref-

erential treatment given to important and long-established clients at the expense of newcomers. It follows that foreign companies have little chance of penetrating Japanese markets, whatever "market-opening" rules the Japanese authorities introduce.

However, the truth is more complex. The scandals do not prove that Japan is immune to change. A few years ago, the facts would have been brushed up far more successfully. Emboldened by the Recruit stocks-for-political-favours scandal of 1987, Japanese journalists are far more assiduous in pursuing investigations. Their editors, fired by popular interest, are less likely to bow to pressure from powerful friends to keep things out of the public eye. Similarly, officials in the police force, the tax authorities and the public prosecutor's office have learned that leaking information is the best way to make sure a case is not closed down. In other words, public opinion matters more than it did even five years ago - and it is working in favour of creating a more open Japan.

It is also a mistake to dismiss recent reforms as worthless. To take one example, a rule introduced last December, forcing shareholders with stakes of 5 per cent or more to disclose their holdings, has brought many speculators, including gangsters, out into the open.

If Japan is opening its markets, it does not mean that they should necessarily resemble western ones to the letter. Internationalisation does not mean westernisation, but finding a Japanese way to conform to international rules. That is bound to mean that some traditional practices survive.

Moreover "unfair" stock market practices are not unique to Japan. Brokers in London and New York are not allowed to compensate favoured clients in cash but find other ways of achieving a similar result - including free research, commission refunds and lavish entertainment.

The difference is that in the US and the UK, private investors have recourse to two routes not open to their Japanese counterparts. One is that instead of investing themselves they can put their money into a large, competitive and generally well-regulated investment trust industry. In Japan, the management of investment trusts is almost entirely in the hands of companies owned by stockbroking groups. The fund managers are therefore prey to the temptation of generating commission income for the brokerage instead of maximising investor returns.

The second is that American and British investors have the right to complain to regulatory bodies, or to the law. Japanese believe that their own regulators - including the ministry of finance, the ultimate authority - are too close to the industries they supervise for it to be worth lodging a complaint. The legal process is far-hiding and expensive.

So Japanese investors have plenty to be angry about. They may be unlikely to be treated in the near future as well as their British and American counterparts. But it seems equally unlikely that the brokers will be allowed in the 1990s to go back to the cosy ways of the 1980s.

## Depositors' champion

Ralph Atkins talks to Keith Vaz, the MP stoking the BCCI row

Mr Keith Vaz, Labour MP for Leicester East, had just returned from entertaining the deputy high commissioner for India, exasperated at the Palace of Westminster's lack of facilities now parliament is in summer recess.

"This is what's so frustrating. Just when we are getting to the meat of things, this place goes up. You can't even get a cup of tea. Isn't it terrible?"

The raffish, Goan Indian MP who has done more than most to stoke the political row over Bank of Credit and Commerce International, has had a busy three weeks. He has lobbied the Bank of England and the chancellor, led debates, asked questions, arranged meetings, fed television and become a figurehead for the aggrieved - largely Asian - BCCI depositors and staff. It has all left him rather excited.

Mr Vaz, 34, a first-generation immigrant, has many contradictions. Cambridge-educated, from modest family origins, he has a school-boyish admiration of establishment figures. Now he is accusing the government and Bank of England of failing to act on a "giant financial scandal".

He is Catholic. His heroes are Harold Wilson, President Kennedy and Pope John Paul II. "Fantastic" is an over-used word. His family arrived in England, via Aden, in 1964.

Such incongruous traits are reminiscent of an E.M. Forster novel of grand airs in a small world. "I miss Leicester, I miss it enormously," Mr Vaz sighs on a near-deserted House of Commons terrace.

He became embroiled in the BCCI affair within hours of the bank's closure when he joined startled staff and depositors in Threadneedle Street. "I just looked in their faces and thought, 'Here we are standing outside the Bank of England and nobody will tell them anything'."

On the Sunday he met the Commons Speaker watching tennis at Wimbledon and pressed for a statement the next day. "The best thing about this place is the Speaker. He is like a grandfather, perhaps he's like the father I never had."

The following week Mr Vaz telephoned Mr Robin Leigh-Pemberton, the Bank of England governor, to set up a meeting. "He's wonderful. I thought Robin Leigh-Pemberton could have been the governor of Aden, he's that sort of person, almost colonial - but I don't mean that in a patronising way."

Later, Mr Vaz organised a meeting for backbench MPs with Mr Leigh-Pemberton at the Commons - when the governor argued that an independent inquiry would be inappropriate, only to find himself having to backtrack less than 24 hours later.

Mr Vaz says three issues



Keith Vaz, accusing the Bank of England and government

have to be addressed in the BCCI affair. First, how much did Mr John Major know? The governor, he argues, confirmed BCCI was discussed several times when Mr Major was chancellor. "If we say he didn't ask, then John Major must be very stupid. If he did ask, we need to know: what did he ask?"

Second, why was the Bank of England so slow to act? He accepts Mr Leigh-Pemberton would ultimately have to accept responsibility but wants to know more about the role of Mr Eddie George, deputy governor.

Third, why was Sheikh Zayed bin Sultan al-Nahyan, ruler of Abu Dhabi, not told? The Bank of England has moved to liquidate BCCI when there is a chance of the sheikh's helping depositors.

There is no racial dimension to the BCCI affair, Mr Vaz insists. His high-marginal constituency is 30 per cent Asian and his interest stems largely from losses suffered by constituents, but BCCI is not an "Asian" issue.

"If it were, it would not be on the front pages every day. It is a major banking and financial scandal."

Mr Vaz says parliamentary experience has made him more cynical and sensible. At university he mixed with "all kinds of odd people. I can't remember, I haven't kept in touch with any of them". He was chairman of the university's Fabian Society in 1978 when Dr David Owen, then Labour foreign secretary, was pelted with flour at a meeting.

His special interests now, he says, are the mundane worlds of textiles and footwear; past support for black sections in the Labour party has been toned down. Beneath his thinning, greying hair, his round face still shines idealistically about giving a leg up to the disadvantaged - in this case BCCI depositors and staff.

The stereotyping of self-starting Asians as natural Tories, he misplaces, he believes. Mr Neil Kinnock, Labour leader, is best able to create a true classless society. "If you take away my colour, am I that different from any other Labour MP?"

No one is calling for the resignation of President FW de Klerk of South Africa - though in many other countries they would have done so.

Ministers of his government have admitted secretly funding the mainly Zulu Inkatha movement so that it could rival the African National Congress (ANC); that rivalry has led to thousands of deaths. And though there is no irrefutable proof that Pretoria had a hand in any of them, Mr de Klerk cannot escape the moral responsibility for failing to do more to stop the carnage.

This weekend, the president is preparing to break his resounding silence on the issue which has led devoted supporters to doubt him, and jeopardised the integrity which has been his greatest strength. On Tuesday, he will speak to the nation to try to repair this damage; to persuade whites and blacks alike that his ample charm is genuine, and not the tool of the con-man. It will be the most crucial test he has faced since releasing Mr Nelson Mandela from jail 18 months ago.

At considerable cost to the future of a multi-racial South Africa, Mr de Klerk could have won the current crisis; while South Africa would probably support him if he tried. But Mr de Klerk, 55, has never defined his constituency in these narrow terms: he has sought to lead a new multi-racial South Africa into the community of civilised nations.

Now the badge of integrity pinned to his breast by Mr Mandela, the ANC president, has been tarnished. Only last month in parliament, the president declared that "the political playing field has been made equal" - scarcely a statement he could now defend. Those who trusted him - from liberal Afrikaners to moderate blacks, not to mention western governments - suspect they have been duped.

They may not be right. Indeed, most hope they are mistaken, not least because the South African peace process could not survive without him.

## MAN IN THE NEWS

FW de Klerk

## Moment of truth for apartheid reformer

By Patti Waldmeir



"He was our man," says a leading Afrikaans journalist plaintively.

After living in the distorted world of apartheid, under a hectoring president (Mr P.W. Botha) who seemed to belong to a much earlier time, South Africans clearly fell for his urbane and amiable president. He has gone a long way toward unsharpening his nation in from the cold; if he jeopardises that process now, he will not be easily forgiven.

Some cling to the belief that blame for the "Inkathagate" scandal lies only with his ministers; Mr P.W. Botha, the foreign minister, has said the president did not know. But though Mr de Klerk would not have had to authorise such payments, under South African law he must ultimately decide which clandestine payments are reported to parliament and which remain secret. Ignorance is no defence: he takes political responsibility for the way secret funds are spent.

Mr Nelson Mandela has taken his condemnation considerably further. He has

accused Mr de Klerk of wishing to rise to power "on the corpse of innocent people". That is certainly unfair; the grand conspiracy theory which blames Mr de Klerk personally for township violence is scarcely credible.

But he has admitted that members of the state security services have made "bad errors of judgment"; almost without exception, they have not been punished. Every week brings new allegations from former or serving security force personnel of state assassination squads and police or army involvement in township violence. While deploring the violence, Mr de Klerk has failed to act.

Indeed, the president is open to the charge that for the past year he has played party political games with the future of South Africa. He and his senior advisers became convinced, sometime last year, that they could win a post-apartheid election in coalition with moderate parties excluding the ANC; from that point onward, Pretoria saw the political

losses of the ANC as its own gains. Mr de Klerk must act decisively if he is to salvage his reputation and restore what the US government calls "the integrity of the negotiating process". There are signs that the president plans to tighten controls on the spending of secret funds, perhaps placing them under the supervision of a multi-party parliamentary committee (which by definition would not include black groups).

But he is under pressure to go further. Ministerial sackings seem unlikely: though the ministers of law and order and defence could justifiably be sacked for (at the very least) failing to control their men, Mr de Klerk must be sensitive to the charge that ultimate responsibility lay with him.

But the president could seize this chance to deal with the underlying problem - security force complicity in the violence - which will otherwise block all progress towards a post-apartheid constitution. He must bring the police and

army under control, not only because it is right to do so, but because the new South Africa cannot be born until he does.

So far, Mr de Klerk has shown no signs of contrition: instead he put Mr P.W. Botha on national television to defend the indefensible. The wily Mr Botha got the historic of the occasion just right, rising to a climax of indignation over the one issue which unites all white South Africans: opposition to sanctions.

Though sanctions were mentioned only once at each of the Inkatha rallies funded by Pretoria, Mr Botha assured South Africans that combating sanctions was the government's sole aim.

He insisted that funding to Inkatha belonged to a different political era - though moments later he admitted that payments to the Inkatha trade union, the United Workers Union of South Africa (Uwusa), will continue until the end of this month.

He repeatedly pointed out that government auditors had found no irregularity in the spending, as though it were crucial that money authorised for illegitimate purposes should be legitimately spent. When he protested that at the time of the funding, there was no rivalry between Inkatha and the ANC - ignoring the thousands who already lay dead - the air of unreality was complete.

Mr Botha's role was clearly to prepare the ground for the statement Mr de Klerk has promised to make on Tuesday. Given that the president's tactic has often been to dampen expectation before announcing a significant concession, he could yet surprise us.

What is clear is that Mr de Klerk must now resume the role of statesman, and leave politicking for the election campaign which remains two to three years distant. If he rises to the task, he can rid his government of the those who are determined never to accept black rule; if his nerve fails, peace could elude South Africa for many more months to come.



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**Social work: reco**

*from Mrs Allison McNair.*

Sir, The shortage of trained social workers, highlighted by your editorial, "The Crisis in social work" (July 22), is a problem which may need more than the 250 new training places funded by the Department of Health if a real solution is to be found.

Even if sufficient social workers were available and recruited, the limitations in the way "problem families" are helped by social workers has to be recognised. Their basic role is to monitor and protect the vulnerable and to assist with daily problems.

Those who are more

## acknowledging its limitations

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**central funding**

*From Mrs Angela Warden.*

Sir, Your excellent leader, "The crisis in social work", highlighted the crucial point that social work ought to be centrally funded and controlled and not left to the political whims of local councils, particularly the more notorious London boroughs.

If this course of action were pursued, I, as a graduate social worker whose children are now in full-time education, and I'm sure many others, would seriously consider returning to work.

Angela Warden,  
2 Cressy Road,  
London NW3 2LY

## Not duty free

*From Mr Timothy Hilgenberg, Sir, Having flown from both Heathrow and Gatwick, I cannot find a single reason for the continuation of duty-free sales there. Many items the average traveller is likely to buy, are nearly as expensive as in high street shops and the VAT 'discount' seems to disappear mostly into the traders' pockets. Research on duty-free pricing, published by the FT some time ago, would appear to back this.*

*Timothy Hilgenberg,  
327 Horn Lane, W3*

[illegible]

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00 1 yr term discount coupon 4% diff  
00 instant access, no penalty  
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00 90 days notice/penalty  
00 instant access, terms from £1  
00 90 days notice/pen, instant on £10K+  
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## INTERNATIONAL COMPANIES AND FINANCE

## Chrysler still in red but optimistic

By Martin Dickson in New York

CHRYSLER, the financially stretched US motor manufacturer, yesterday reported a second-quarter loss of \$212m but struck an optimistic tone on its prospects for the remainder of 1991.

Mr Lee Iacocca, the chairman, said: "If the market continues to improve, we should be in pretty good shape in the second half of the year."

The results follow similarly heavy losses reported on Thursday by the two biggest US motor manufacturers, General Motors and Ford. All three have been hit by a slump in US

demand for vehicles, which was particularly marked in the first quarter during the Gulf war.

Chrysler's \$212m loss worked through at 36 cents a share and compared to a profit of \$160m, or 81 cents a share in the same period of last year. Revenues dipped from \$8.55bn to \$7.81bn.

However, the figures were in the middle of Wall Street's estimates, which ranged from a loss of 75 cents to \$1.25.

Chrysler has been the most vulnerable of the Big Three US manufacturers to the recession because it is financially most

stretched, at a time when it needs to spend heavily to develop an important new range of models.

However, in recent weeks company officials have expressed optimism that - provided the US economy continues its gradual recovery - the company's financial position looks much brighter, helped by a \$3bn programme initiated in 1989 to cut costs.

The company noted its cushion of cash and marketable securities, which dipped from \$5.58bn in mid-1990 to some \$2.5bn at the end of March,

then rose by \$588m in the second quarter to \$3.1bn. The group's losses were also lower than in the first quarter, when it was \$341m in the red.

Mr Iacocca said major factors contributing to the second quarter figures were increased volumes over the first quarter, a better mix between retail and lower-priced fleet sales and the company's cost reduction programme.

For the six months, Chrysler lost \$810m, after a one-time accounting change, compared with profits of \$251m in the same period of 1990.

## Schiefer in surprise resignation at Allianz

By Katharine Campbell and Andrew Fisher in Frankfurt

ALLIANZ, Europe's leading insurance group, was yesterday forced to announce the surprise resignation of its long-serving chief Mr Wolfgang Schiefer - leaving the company.

Mr Schiefer, currently Allianz's finance director, is turning down one of Germany's most powerful business positions in favour of heading the North American activities of Robert Bosch, the automotive equipment manufacturer.

Mr Henning Schulze-Noelle, who had been considered a contender for the job when Mr Schiefer was selected, and was named chief executive of Allianz Leben, the life operations, at the beginning of this year, will become the new chief executive.

Allianz said Mr Schiefer's resignation, which was "mutually agreed", arose from personal reasons which were not disclosed.

At the same time, Allianz, which had announced the succession as early as last November in an attempt to secure a smooth transition, admitted to surprise and puzzlement at his decision, made known at the board meeting on Wednesday.

Mr Schiefer joined Allianz from McKinsey, the US management consultants in 1984. Mr Schulze-Noelle, who will now assume the reins when the company is facing unusual challenges in its new ventures in the US and in the treacherous east German market, has been at Allianz since 1975.

Mr Schiefer was closely involved with Allianz's expensive venture into the US market last year with the acquisition of Fireman's Fund.

The Munich insurer, which announced its 1990 results on Tuesday, says that the integration of the US insurer is progressing well.

Mr Schiefer's move to Bosch, meanwhile, underlines the Stuttgart-based group's ambitions to increase its presence in the highly competitive US market.

Under its chief executive Mr Marcus Blicher, who was Schiefer's predecessor as finance director at Allianz, Bosch has been steadily expanding its foreign activities.

Bosch would not comment on whether Mr Schiefer would be a likely successor to Mr Blicher who is 65 years old and whose contract has three years more to run.

## Commerzbank spurred by better interest margins

By Katharine Campbell in Frankfurt

COMMERZBANK, Germany's third largest bank, pushed up group total operating profits by 38.1 per cent during the first half of this year, largely because of interest-related earnings from the buoyant domestic credit growth.

The bank, however, still does not give a figure for its total operating profits.

Partial operating profits, which exclude revenue from own account trading, advanced by 38.1 per cent to DM818m (\$482m) from DM611m in the first six months of 1990.

At parent level, total operating profits increased by 31.3 per cent, with the partial result advanced by 27.6 per cent, to DM542.2m.

Net interest income was the prime contributor to the strong improvement, as cheap refinancing opportunities from the east German network, now some 65 branches, boosted margins.

More significantly, reduced competition from US and Japanese banks substantially improved lending conditions.

With 30 per cent of total assets stemming from international business, Commerzbank is especially well placed to benefit from such developments.

The interest margin of the parent bank averaged 2.3 per cent, compared with 2.07 per cent for the whole of last year.

Higher interest earnings were both volume and margin-related. Rheinische Hypothekbank, the mortgage bank subsidiary, for instance, saw new business expand by



Martin Köhl Haussen: improved lending conditions

37 per cent, thanks largely to a surge in local authority financing.

A slowdown in new issues activity and securities trading, however, meant that net fee income across the group grew just 5.5 per cent to DM648m.

Trading for the bank's own account has so far provided a distinctly better source of revenue this year.

In 1990, a sharp rise in interest rates at the beginning of the year, in anticipation of the financing burdens of German unification, produced an extremely difficult trading environment.

That, together with the sharp fall in equity prices in the wake of the Gulf crisis, produced sizeable write-downs

in the securities portfolio at the end of the year.

Commerzbank, at which Mr Martin Köhl Haussen recently took over as chief executive, hopes these will be significantly reduced this year.

The earnings improvement was achieved despite a notable increase in costs, not least associated with the push into eastern Germany.

Personnel costs for the group were 13.5 per cent higher at DM1.35bn.

Nevertheless, Commerzbank's cost commitment for the east remains modest when compared with the other big banks, Deutsche and Dresdner, which took on thousands of employees from the old state system.

## HK textile groups find going tough

By Angus Foster in Hong Kong

TWO of Hong Kong's main textile companies yesterday announced sharp profit falls due to weak demand in the important North American market and declining profitability.

Wingor Industrial, one of the colony's largest textile and garment manufacturers, announced net profits before extraordinary items down by 19.5 per cent to HK\$199.7m (\$25.5m) in the year to end-March compared with HK\$248.1m a year ago.

Profits attributable to shareholders fell only 6.8 per cent to HK\$231.2m due to an extraordinary profit of HK\$1.5m, made on the sale by an associate of an investment property.

The company, which has seen profits fall each year since 1988, is recommending a final dividend of 60 cents a share to make an unchanged total of 80 cents.

Wingor blamed the profits fall on weak demand in North America, its main market where sales fell 21 per cent.

High inflation, double digit wage increases and a labour shortage all helped to dent profit margins in Hong Kong.

Novel Enterprises, a knitwear and silk weaving company, announced a 43 per cent fall in profits to HK\$46m in the year to end-March, compared with HK\$112m previously.

The company is recommending a cut in dividends from 11 cents to a total 8 cents a share.

## Delta pursues own Pan Am deal

By Nikki Tait in New York

FURTHER TALKS were understood to be underway yesterday between officials from Pan Am, the ailing carrier which filed for bankruptcy court protection, and Delta Air Lines, the third largest US airline, over the latter's plan to purchase a package of assets for \$260m.

Delta made clear late on Thursday night that it was pursuing its own deal - which would give it Pan Am's remaining European routes, the East Coast Shuttle and some additional assets - independently of any proposal from United Airlines, which is largely interested in Pan Am's Latin American/Caribbean routes.

United initially bid \$190m for these routes, and some other assets, but Pan Am

rejected the offer. United is thought to have come back with higher terms, although both Pan Am and Chicago-based United, one of the two largest US carriers, decline to comment.

By contrast, Pan Am has already given its agreement in principle to the Delta deal, and Delta has suggested that it might be willing to take an equity stake in a "reorganised" Pan Am, which would essentially operate the Latin American/Caribbean routes from its Miami hub.

There were some indications that the current talks could lead to proposals being filed with the Bankruptcy Court fairly soon, although officials cautioned that the matter could run into the weekend. Any sale of Pan Am assets

would have to win approval in the bankruptcy court, as well as from the aviation authorities.

The complex wrangling over Pan Am, already badly shrunken from its heyday by years of asset sales, has been further muddled by a Trans World Airlines/American Airlines proposal. This suggests a joint offer for the same assets that Delta proposes buying, and a \$400m investment in Pan Am's ongoing Latin American business, making a total \$450m package.

However, given that TWA is in the middle of difficult debt restructuring and, on Thursday, had creditors threatening to seize their collateral in the form of jet engines, this is not given a high likelihood of success by analysts.

## Profits tumble at Aetna Life

By Nikki Tait

AETNA Life & Casualty, the largest shareholder-owned insurance group in the US, yesterday revealed a \$44m fall in second-quarter after-tax profits to \$150m, after adding a further \$78m to reserves for bad property-related investments.

News of the profits tumble comes just one day after Moody's, the US rating agency, downgraded Aetna Life & Casualty Company and its operating affiliates, because of the company's large commercial property portfolio.

Aetna's second-quarter profits still are struck after \$12m of net realised capital losses, com-

pared with realised gains of \$31m in the same period a year ago. This \$12m loss includes the additional \$78m property investment-related reserve, partially offset by a \$33m capital gain from the sale of an equity interest in La Estrella de Seguros, and \$15m from the sale of a portion of the equity interest in MBIA, the municipal bond insurer.

Mr James Lynn, Aetna's chairman, noted that the company had taken a profit reduction of around one-third of a billion dollars, as a result of property-related losses during the past four quarters,

but earned over \$500m. Aetna operations range from life to property-casualty business and reinsurance. On a divisional basis, the health and life side made \$87.5m (against \$84.1m) after realised capital losses of \$2.2m; financial services turned in a \$35.2m loss (\$32.8m profit), after realised capital losses of \$46.4m; commercial property-casualty saw a \$43.1m profit (\$65.5m), personal property-casualty produced a \$2.1m loss (\$1.7m profit); reinsurance made \$34.8m (\$29.2m); and international operations contributed \$31.4m (\$10.8m loss).

## Banco Bilbao Vizcaya improves 10% in first half

BANCO Bilbao Vizcaya (BBV), Spain's biggest commercial bank, lifted first-half net profits by 10.1 per cent to Ptas3.7bn (\$497m) compared with the first six months of last year, writes Tom Burns in Madrid.

The bank, which also unveiled a sharply improved balance sheet, also lifted its

cash flow by 14.8 per cent to Ptas14.8bn.

BBV's financial margin, the difference between interest paid and interest received, noticeably recovered following the strains placed upon it last year when the main domestic banks competed against each other for customer deposits by

offering high interest bearing accounts.

The bank's financial margin rose to Ptas17.5bn in the first half of this year from Ptas16.1bn in the last six months of 1990. In the first half of last year, the margin was Ptas17.1bn.

BBV, the result of a

merger between the Bilbao and the Vizcaya banks, appears to be succeeding in its battle to hold down costs.

They rose by 7.8 per cent in the first half of this year, against 9.5 per cent and 7.8 per cent in the first and the second six months of last year respectively.

## WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week ago	Year to date	High 1991	Low 1991
Gold per troy oz.	\$384.70	-0.05	\$367.50	\$392.25	\$363.55
Silver per troy oz.	\$241.50	-0.17	\$235.50	\$241.50	\$235.50
Aluminium 99.7% (cash)	\$1272	-31	\$1167.2	\$1570	\$1227
Copper Grade A (cash)	\$1230.5	+4.5	\$1195.5	\$1472	\$1241.0
Lead (cash)	\$1232.5	+4.5	\$1157.0	\$1265	\$1225.5
Nickel (cash)	\$1232.5	-170	\$1232.5	\$1232.5	\$1232.5
Zinc SHG (cash)	\$1100.75	-27.5	\$1152.0	\$1430	\$1110
Tin (cash)	\$2087.5	+30	\$2080	\$2115	\$2070
Cocoa Futures (Sep)	\$1540	+2.75	\$1540	\$1540	\$1540
Coffee Futures (Sep)	\$250	+0.25	\$250	\$250	\$250
Sugar (LDP Rev)	\$225	+1.3	\$225	\$225	\$225
Barley Futures (Nov)	\$113.20	-0.10	\$113.20	\$113.20	\$113.20
Wheat Futures (Nov)	\$114.65	-0.15	\$114.65	\$114.65	\$114.65
Cotton Outlook A Index	70.45c	-1.05	69.55c	69.55c	70.45c
Wool (64 Super)	\$25.00	-0.25	\$25.00	\$25.00	\$25.00
Oil (Brent Blend)	\$16.675c	-0.40	\$16.675c	\$16.675c	\$16.675c

Per tonne unless otherwise stated. T, tinned; p, per cent; c, cents; lb, 50 lbs.

## London Markets

SPOT MARKETS

Crude oil (per barrel FOB)

Dubai

Brent Blend (Sep)

W.T.I. (1st cent)

Oil products

NWE prompt delivery per tonne CIF

Premium Gasoline

Gas Oil

Heavy Fuel Oil

Naphtha

Petroleum Argus Estimates

Other

Gold (per troy oz.)

Silver (per troy oz.)

Platinum (per troy oz.)

Palladium (per troy oz.)

Copper (US Producer)

Lead (US Producer)

Tin (Kuala Lumpur market)

Tin (New York)

Zinc (US Prime Western)

Cattle (live weight)

Sheep (live weight)

Pigs (live weight)

London daily sugar (raw)

Tate and Lyle export price

Barley (English feed)

Wheat (US No 3 yellow)

Wheat (US Dark Northern)

Rubber (Aug)

Rubber (Sep)

Rubber (Jul, RSS No 1 Aug)

Coccolat oil (Philippines)

Palm oil (Malaysia)

Soybeans (US)

Soybeans (US)

Cotton "A" index

Wooltops (64 Super)

COCOA - London POX	\$/tonne
Close	Previous
Jul 815	800
Sep 815	800
Nov 815	800
Dec 815	800
Jan 815	800
Feb 815	800
Mar 815	800
Apr 815	800
May 815	800
Jun 815	800
Jul 815	800
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Jul 815	800
Sep 815	800
Nov 815	800
Dec 815	800





Revenues up but Chevron income dips

By Our Financial Staff

Chicago

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

### Dollar weakens on GNP data

THE DOLLAR lost ground on publication of weaker than expected US gross national product figures, following high inflation figures from some of the weaker European states earlier this week.

The preliminary estimate for second quarter GNP growth was 0.4 per cent, compared with a fall of 2.5 per cent in the first quarter. Immediate reaction was that the economy is recovering from recession, although not as quickly as hoped. Economists were generally looking for a growth figure of around 1.0 per cent.

Towards the European close the dollar rallied a little, after Mr J. Antonio Villamil, US Department of Commerce chief economist, said "the most likely outcome is for a moderate and durable economic expansion."

Apart from disappointment at the US data the dollar also suffered against the D-Mark on a sharp rise in German inflation. The July rise to 4.5 from 3.5 per cent in year-on-year consumer prices for the western part of the country was not a great surprise, following high inflation figures from some of the weaker European states earlier this week.

It tends to give further weight to expectations of a higher interest rate, reinforcing comments from Mr Helmut Schlesinger, a president-elect of the Bundesbank, about a possible rise in the German discount rate, which is "way out of line with market rates."

At the London close the dollar had fallen to DM1.7388 from DM1.7560, to Y137.80 from Y138.85, to SFR1.5155 from SFR1.5305 and to FF5.9175 from FF5.9675. Its index declined to 66.8 from 67.0.

The D-Mark remained fourth strongest member of the European exchange rate mechanism, while gaining ground against the weaker currencies, such as the French franc and sterling. In Paris the D-Mark was fixed 4.5 centime higher against the franc at FF5.4025 and closed in London at FF5.4035.

The French currency replaced the Danish krone as the weakest ERM member, but did not come under pressure as the Spanish peseta weakened at the top of the system. The peseta declined on profit taking and rumours about government ministerial changes in Madrid.

Sterling was firm against the dollar. On the other hand it lost ground in terms of most of its ERM partners. The pound traded quietly, but appears to be losing its attraction as a high yielding currency on expectations about a narrowing of interest rate differentials between London and Frankfurt. It stayed the third weakest ERM currency.

Sterling rose 1.20 cents to \$1.6370 and was unchanged at Y232.50, but fell to DM2.9325 from DM2.9425, to FF9.9825 from FF9.9950, and to SF2.5575 from SF2.5625. Its index climbed 0.1 to 90.5.

## £ IN NEW YORK

July 26	July 27	Previous
1.0000-1.0010	1.0000-1.0010	1.0000-1.0010
1.0010-1.0020	1.0010-1.0020	1.0010-1.0020
1.0020-1.0030	1.0020-1.0030	1.0020-1.0030
1.0030-1.0040	1.0030-1.0040	1.0030-1.0040
1.0040-1.0050	1.0040-1.0050	1.0040-1.0050

## STERLING INDEX

July 26	July 27	Previous
66.8	66.8	66.8
66.9	66.9	66.9
67.0	67.0	67.0
67.1	67.1	67.1
67.2	67.2	67.2

## CURRENCY MOVEMENTS

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## CURRENCY RATES

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## OTHER CURRENCIES

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## FORWARD RATES AGAINST STERLING

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## MONEY MARKETS

### Large early help

OVERNIGHT MONEY was bid at around 10 per cent on the London money market yesterday morning, following the Bank of England's decision to absorb most of a large credit shortage with early assistance. This was the second such action of the week and was regarded as a move to keep market conditions calm in the wake of the ECU closure.

Three-month sterling interbank was little changed at 11 1/4 per cent, compared with 11 1/4-1/2 per cent, and 12-month money was steady at 10 1/4-1/2 per cent.

UK clearing bank base lending rate 11 per cent from July 22, 1991.

## ON LIFTS

On Liffe December short sterling futures gained at the expense of the September contract, on speculation that rate cuts may be delayed until the latter part of the year. December rose to 89.74 from 89.71, while September slipped to 89.28 from 89.25.

Day-to-day credit was in short supply on the cash market. The Bank of England initially forecast a shortage of £1.25bn, but revised this to £1.5bn at noon. Assistance of £1.5bn was provided.

An early round of help was offered and at that time the authorities bought £1.64bn

consumer prices for the western part of the country was not a great surprise, following high inflation figures from some of the weaker European states earlier this week.

It tends to give further weight to expectations of a higher interest rate, reinforcing comments from Mr Helmut Schlesinger, a president-elect of the Bundesbank, about a possible rise in the German discount rate, which is "way out of line with market rates."

At the London close the dollar had fallen to DM1.7388 from DM1.7560, to Y137.80 from Y138.85, to SFR1.5155 from SFR1.5305 and to FF5.9175 from FF5.9675. Its index declined to 66.8 from 67.0.

The D-Mark remained fourth strongest member of the European exchange rate mechanism, while gaining ground against the weaker currencies, such as the French franc and sterling. In Paris the D-Mark was fixed 4.5 centime higher against the franc at FF5.4025 and closed in London at FF5.4035.

## EMS EUROPEAN CURRENCY UNIT RATES

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## POUND SPOT - FORWARD AGAINST THE POUND

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## EURO-CURRENCY INTEREST RATES

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## EXCHANGE CROSS RATES

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## FT LONDON INTERBANK FIXING

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## MONEY RATES

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## LONDON MONEY RATES

July 26	July 27	Change
US Dollar	100.00	-0.10
West German D-Mark	100.00	+0.10
French Franc	100.00	+0.10
Italian Lira	100.00	+0.10
Spanish Peseta	100.00	+0.10
Portuguese Escudo	100.00	+0.10
Belgian Franc	100.00	+0.10
Dutch Guilder	100.00	+0.10
Swiss Franc	100.00	+0.10
Austrian Schilling	100.00	+0.10
Japanese Yen	100.00	+0.10
South Korean Won	100.00	+0.10
Chinese Yuan	100.00	+0.10
Indian Rupee	100.00	+0.10
Thai Baht	100.00	+0.10
Singapore Dollar	100.00	+0.10
Malaysian Ringgit	100.00	+0.10
Philippine Peso	100.00	+0.10
Indonesian Rupiah	100.00	+0.10

## FT LONDON INTERBANK FIXING

% from 9% per cent as the weakness of the franc in the RM and fears of a German rate rise set back hopes of a rate in official French rates.











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Continued on next page



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— *Journal of the American Medical Association*, 1967, 201: 1261-1262.

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## WORLD STOCK MARKETS

## AMERICA

## Dow down on disappointing GNP figures

## Wall Street

A DISAPPOINTING set of quarterly gross national product figures reinforced concern about the strength of the economic recovery and left blue-chip shares weaker yesterday, writes Patrick Horsman in New York.

By 1 pm the Dow Jones Industrial Average was down 8.27 at 2,971.82, a modest recovery from the larger declines of the first half hour of trading. The more broadly-based Standard & Poor's 500 held up slightly better, easing just 0.31 to 380.65 by 1 pm, while

demand for technology stocks and bargain buying lined the Nasdaq composite of 482.10. Turnover on the NYSE was light at 81m shares by 1 pm. Declines outpaced rises by 721 to 639.

A week of mostly bad economic statistics was rounded off by a smaller than expected rise in second quarter GNP of 0.4 per cent. Analysts had been hoping for a rise of one per cent, and the figures deepened concern about the economy. Share prices would have fallen further, but highest bond prices led to further declines in long-term interest rates, which

is always a tonic for stock market sentiment.

Among individual stocks Chrysler held steady at \$14 after reporting, as expected, a big second quarter loss. The figures followed similar losses announced on Thursday by Ford, down 3% at \$34, and General Motors, down 3% at \$40.90. Aetna Life slipped 3% to \$36.14 in the wake of its downgrading by Moody's Investors Service, the rating agency. Moody's has lowered its ratings on many big insurance companies because of concern about the effect of the property slump on insurers' real estate loans and investments.

Walt Disney gave up \$1% at \$116.54 as sellers moved in following Thursday's late announcement of a 31 per cent drop in fiscal third quarter earnings.

BellSouth jumped 1% to \$48.30, Pacific Telesis gained 1% at \$42.25, Ameritech rose 1% to \$60.00, US West climbed 3% to \$38.40, and Bell Atlantic put on 3% at \$48.40 after a federal judge lifted a restriction on the "Baby Bells" (regional telephone providers) entering the information services business. Enthusiasm was tempered, however, by the NYSE's imposition of a stay order on the lifting of the ban pending an

appellate court review.

There were big gains for Country Lake Foods, up 2% at \$12.92 after it said it would consider the \$13.50 a share takeover bid made by Land O'Lakes, and Coastal Healthcare, up 1% at \$16.00 on news of sharply higher second quarter earnings.

## Canada

TORONTO stocks were mixed in slow midday trade as traders awaited more news on the economy. The composite index gained 1.5 to 3,532.2. Declines led advances by 190 to 174 on volume of 11.1m shares.

## Copenhagen throws its caution to the winds

Hilary Barnes explains how long term structural factors are changing the Danish equity market

SHARE prices in Copenhagen tend to fall less precipitately, and to rise more moderately than their counterparts on other stock markets, but this year Copenhagen has broken the mould.

The Danish market has risen by 27 per cent in local currency terms on the FT-Actuaries world index, compared with a rise of 16 per cent for Europe's ex UK. The star performer has been the shipping sector, up by 44 per cent and outperforming the rest by a wide margin. One shipping share, J Lauritzen Holding, is currently 73 per cent up from its 1990 low, while the two quoted AP Moller subsidiaries, D/S 1912 and D/S Sverdrup are ahead by over 60 per cent.

But many blue chips have performed well this year. Carlsberg ordinary shares are up by 47 per cent, Novo Nordisk by 38 per cent, Sophus Berendsen by 59 per cent and Den Danske Bank by 44 per cent.

The market has been supported by a number of relatively satisfactory macro-economic factors:

- Denmark's inflation rate, with consumer prices up by 2.9 per cent over the 12 months to June, is among the lowest in the industrial world and is not expected to accelerate significantly in the foreseeable future.
- The current balance of payments, in surplus in 1990 for the first time for 27 years, is expected to remain in surplus this year and next.
- Both short and long-term interest rates have fallen, which is particularly significant for profit prospects in the financial services companies.
- The Danish krone has depreciated strongly against the dollar and the yen (after appreciating equally strongly in 1990), which has helped lift the shipping companies and the drug company Novo Nordisk, among others.
- After four years of near-stagnation in domestic demand, a better performance is expected in 1992, with a recovery in both private consumption and investment, but without upsetting the current external account.

The all-share index has wilted slightly this week, hovering around 374-376 - it closed at xxx yesterday - but the mood among stockbrokers is optimistic. The index is expected to pass 400 before the end of the year, says Mr Carsten Dreilund, of Røed Sørensen, seconded by Mr Claus Andersen, at Blikuben Børs.

However, the market's price-earnings ratios now average 17, which is high by the past standards of the Danish market. Some of the blue chips are beginning to look expensive, says Mr Dreilund.

The 1990 results for the larger companies were generally

investors. These include the merger of Novo and Nordisk Gentofte in pharmaceuticals, the food companies Danish Distillers, Danish Sugar and Danisco, which became the new Danisco, and the merger of the six largest banks into two superbanks, Den Danske Bank and Unidamark Holding.

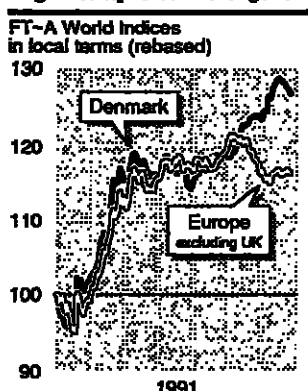
This development facilitated the introduction of the KFX index, based on the 25 most traded shares, and futures and options based on the index. There are now options on several of the individual shares. The first futures based on individual shares are expected in 1992.

The KFX has generated increased market interest in equities, and this in turn led to more interest in the derivative paper. The development of the futures and options market was hindered by a tax on capital gains taxable while losses were not deductible. This asymmetry has now been removed, which is expected to bring a number of important domestic investors into this market, notably the pension funds.

Copenhagen has an unusually well-organised securities market, with only one market for bonds, shares and futures and options, one (electronic) registration centre, and one supervisory authority. It also has a risk-free settlement system, which helps to explain why Copenhagen has suffered less at times of panic selling than many other markets.

All brokers (except those owned by the largest banks) must have a credit line with the National Bank (Central Bank) - broker's accounts are cleared by the National Bank - and if the credit line is exhausted, the system prevents trades taking place.

The backlog of uncompleted deals under conditions of panic trading, which can cause a domino effect or cause trading to be suspended, is effectively guarded against in Copenhagen. The Danes are now discussing with Euroclear how to introduce a risk-free settlement system for international investments to parallel the risk-free domestic settlement system.



Source: Datastream 1991

## ASIA PACIFIC

## Nikkei rises for fourth day on index-buying

## Tokyo

EARLY losses were erased as index-linked buying supported by firmer bond prices pushed up share prices towards the end of the session, writes Andrew Horsman in Tokyo.

The Nikkei average rose for the fourth consecutive day, putting on another 136.36 to 23,519.07 for a 2.9 per cent gain on the week. The yen's fall against the dollar in New York overnight discouraged investors at the outset, and the index fell to the day's low of 23,101.26, but late index-linked buying pushed the Nikkei average to the day's high of 23,519.07 before the close.

Volume rose to 300m shares, with buying by foreigners, financial institutions and trust funds. Advances led declines by 595 to 311, with 207 unchanged. The Topix index of all first section stocks rose 15.37 to 1,833.60 and, in London, the ISE/Nikkei 50 index added 2.99 to 1,405.36.

Interest rate-sensitive, large-capital issues were stronger on lower bond yields. Nippon Steel rose 77 to Y422, and NKK

by Y6 to Y389. International blue chips were sought by trust funds, with Hitachi gaining Y40 to Y1,160. Fujitsu rose Y30 to Y1,080 on reports that the firm had received orders for undersea optical cables.

Electrical power companies gained on buy orders from financial institutions. Tokoku Electric Power rose Y30 to Y3,650 after hitting its year's high of Y3,680. Tokyo Electric Power gained Y40 to Y3,630.

Japan Airlines rose Y30 to Y1,190, on buying by individuals. The company has projected that pre-tax profits for the current year will more than double to Y58m, thanks to a surge in international traffic.

Foreign buying supported non-life insurers, with Sumitomo Marine & Fire gaining Y10 to Y797 and Tokio Marine & Fire adding Y10 to Y1,280.

Companies remained active stock sellers last week. The Tokyo Stock Exchange announced that for the week of July 15-19, corporations sold a net Y28.7bn worth of stocks, up from the previous week's Y4.6bn. Foreigners, were seen buying Y34.3bn, but this decreased from the previous

Y59.5bn.

In Osaka, the OSE average added 133.56 to 36,099.18, rising above the 36,000 level for the first time in seven trading days. Volume amounted to 15.7m shares. Electric power companies, retailers and pharmaceuticals gained, but machinery fell. Murata ceased Y20 to Y2,460, declining for the ninth consecutive day.

Omikensei remained unchanged at Y1,190. The issue will be demoted to the OSE second section from August due to the lack of shareholders.

## Roundup

FINANCIAL issues led the three strongest markets in the region yesterday.

HONG KONG enjoyed heavy trading as the Hang Seng index edged its fifth upward high in two weeks, climbing 18.87 to 4031.29 for a 5.5 per cent gain on the week. Turnover rose from HK\$1.87bn to HK\$2.3bn.

Property shares stayed strong on the airport project but banks rose faster yesterday. HSBC, holding company for the Hongkong Bank, rose 40 cents to HK\$27.50 on the

assumption that it has bottomed out following disappointing results in the US.

BANGKOK, too, got its kick from the banking sector as the SET index rose 13.88 to 742.41, for a 9.5 per cent rise on the week. Turnover fell from 1,200m to 885.15m, but this was still heavy trading for the third day in succession. Dealers were hoping that the market will consolidate next week after a holiday on Monday.

SEOUL also saw strength in financials, although construction led the uptrend with the composite index 10.03 higher at 674.34, 3.7 per cent higher on the week. The rally was helped by improved liquidity as investor deposits with brokerage houses reached Won1.6trn, compared with about Won500bn late last month.

KUALA LUMPUR rose 5.49 on the day and 2.5 per cent on the week as the composite index closed at 605.46, lifted by doubled profits from Telekom Malaysia. Telekom itself only put on 20 cents to M\$11.20.

SINGAPORE's Straits Times index ended 4.05 higher at 1,504.57, up 3.4 per cent on the week.

## EUROPE

## Bourses fall on German rate fears

FEARS OF an increase in German interest rates came into sharp focus yesterday, but this seemed to be a general, rather than a domestic bear point, writes Our Markets Staff.

Mr Andrew Bell, who looks after strategy for BZW, said that the brokers had maintained their neutral line on Germany and underweighted France. "The [French] market", he said, "remains haunted by the cynical pressure showing up in earnings downgrades and the inability to do anything about it, given the inflation worries in Germany".

BZW likes Switzerland, both for its defensive qualities, and for the exposure of its big multinationals to higher profits from the rising dollar. However, on yesterday's evidence, said Mr Bell, the US economy cavalry was not exactly galloping to bring the expected relief to European economies in general.

FRANKFURT saw an 0.31 rise to 67.77 in the FAZ index followed by a 9.74 fall to 1,605.64 in the DAX, where sizeable falls in the automotive and basic materials sectors seemed to reflect specific factors more than interest rate concern. Falls on the week were 1.0, and 1.1 per cent respectively.

Volume fell from DM3.6bn to DM3.5bn. Among carmakers, Volkswagen fell DM5.60 to DM357.20, and Daimler DM8.50 to DM733.50. Mr Adrian

denials that the Maus family planned to sell all or part of it reflected the EC/Japanese deal over future Japanese car imports into the community.

Meanwhile, Metallgesellschaft and Degussa fell by DM4.80 to DM480, and by DM4.80 to DM338.20. It was reported that a member of a German parliamentary delegation visiting the UK had said that it should be closed because it is destroying the environment.

PARIS fell pre-holiday selling and concerns that a rise in German interest rates would prevent a cut in French rates. But the more intrepid investors were seen buying stock in anticipation of a bounce in the market in the latter part of August. The CAC 40 index closed down 13.36 at 1,761.66, hardly changed on the week. Turnover was estimated at a modest FF1.6bn after FF1.7bn.

Printrumps fell back after Thursday's speculative rise on

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## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 26 1991										WEDNESDAY JULY 25 1991										DOLLAR INDEX			
	US Dollar Index	Day's % Change	Pound Sterling	Yen Index	DMA Index	Local Currency Index	% change on day	Gross Domestic Product	US Dollar Index	Pound Sterling	Yen Index	DMA Index	Local Currency Index	1991 High	1991 Low	1991 Low	Year ago approx.							
Figures in parentheses show number of lines of stock																								
Australia (69)	146.04	-1.4	129.26	128.18	133.33	125.55	-1.0	5.12	146.05	129.65	128.49	133.62	128.78	148.05	112.74	147.12	147.12							
Austria (20)	178.89	-1.1	155.56	155.25	161.48	161.07	-0.3	1.72	178.89	158.88	155.26	161.48	161.50	222.37	167.00	279.43	279.43							
Belgium (48)	127.84	-1.4	113.15	112.19	119.71	113.81	-0.4	5.18	129.59	113.49	112.47	118.96	114.29	151.20	121.73	159.40	159.40							
Canada (116)	139.38	+0.0	123.27	122.92	127.23	127.23	0.0	3.20	139.38	123.49	120.93	125.70	118.29	142.27	129.48	138.15	138.15							
Denmark (37)	251.81	-1.2	222.98	221.01	229.88	232.03	-0.4	1.82	254.87	223.20	221.21	230.03	232.86	270.58	217.74	274.83	274.83							
Finland (18)	97.37	+0.9	88.19	85.47	88.50	88.08	+1.5	2.80	96.54	84.54	83.79	87.14	84.82	126.15	90.00	134.33	134.33							
France (171)	129.59	-1.0	116.06	114.08	118.06	121.58	+0.1	3.67	127.51	116.03	113.38	118.15	115.29	120.81	110.00	160.65	160.65							
Hong Kong (25)	151.19	-2.2	133.82	132.70	138.09	139.74	-1.3	3.87	154.93	135.32	134.11	138.47	141.82	182.48	132.88	187.37	187.37							
Ireland (19)	74.29	-1.8	65.78	65.20	67.22	72.52	0.0	3.22	75.01	65.13	63.53	68.19	72.95	80.23	69.80	103.80	103.80							
Japan (474)	128.10	-1.0	113.39	112.43	116.96	112.43	-0.2	0.75	122.93	113.28	112.25	116.74	112.25	146.97	118.35	143.98	143.98							
Malaysia (29)	227.36	-0.1	201.77	200.07	208.70	244.33	+0.0	2.74	229.07	199.73	197.94	205.84	244.37	247.78	192.63	240.70	240.70							
Mexico (18)	138.82	+0.5	100.08	99.82	103.78	105.00	+0.5	1.45	133.22	99.21	98.25	102.21	113.22	113.22	104.45	161.41	161.41							
Netherlands (31)	137.83	-1.2	121.82	120.80	125.65	124.31	-0.1	1.31	139.25	121.54	120.85	125.88	124.41	145.73	126.70	148.14	148.14							
New Zealand (14)	46.69	-0.5	41.33	40.96	42.63	43.53	-0.7	0.98	48.92	41.00	40.72	42.35	43.90	54.84	41.18	67.33	67.33							
Norway (22)	194.42	-1.2	172.09	170.85	177.50	180.31	-0.4	1.63	196.85	172.59	170.85	177.57	181.09	223.24	182.24	255.02	255.02							
Singapore (38)	198.32	+0.0	175.54	174.08	181.05	195.93	+0.3	2.14	199.25	173.82	172.07	179.94	182.59	229.26	181.83	207.38	207.38							
South Africa (34)	238.02	-2.6	211.21	210.43	217.94	189.07	-0.2	1.05	245.04	214.89	212.67	221.19	170.85	258.25	173.00	199.09	199.09							
Spain (44)	148.25	-1.1	129.76	128.69	133.80	121.46	-0.2	4.45	148.23	128.61	126.88	133.80	127.73	171.21	151.51	180.05	180.05							
Sweden (27)	189.40	-2.3	167.84	166.23	172.91	177.90	-1.4	2.20	183.53	166.53	165.81	172.03	183.51	242.12	146.80	224.15	224.15							
Switzerland (39)	92.20	-1.4	81.51	80.53	84.19	87.49	-0.1	4.81	174.37	152.70	151.32	157.36	152.70	187.44	158.27	171.82	171.82							
United Kingdom (240)	171.39	-1.1	152.59	151.29	157.87	152.59	-0.1	4.81	174.37	152.70	151.32	157.36	152.70	187.44	158.27	171.82	171.82							
USA (222)	154.20	+0.6	136.49	135.35	140.78	154.20	+0.6	3.18	153.23	134.19	133.00	136.51	139.23	159.24	125.95	143.56	143.56							
Europe (828)	136.03	-1.3	120.41	119.40	124.20	122.74	-0.2	3.89	137.83	120.70	119.82	124.40	123.03	151.82	125.50	155.13	155.13							
Norfolk (112)	185.03	-1.6	163.78	162.40	168.92	165.45	-0.8	1.57	182.07	164.76	163.23	168.74	166.72	200.81	155.25	218.14	218.14							
Pacific Basin (718)	123.70	-0.9	117.32	116.32	121.41	114.24	-0.2	1.11	130.91	114.84	113.62	118.14	114.14	145.92	117.86	143.98	143.98							
Europe - Pacific (1554)	122.54	-0.1	117.82	116.32	121.00	114.24	-0.1	1.06	130.91	114.84	113.62	118.14	114.14	145.92	117.86	143.98	143.98							
North America (644)	153.20	+0.6	120.41	119.40	124.20	122.74	+0.2	3.18	153.23	134.19	133.00	136.51	139.23	159.24	125.95	143.56	143.56							
USA & UK (284)	146.57	+0.7	128.65	127.78	132.91	130.34	-0.5	4.31	149.56	128.96	127.23	133.18	131.03	148.12	125.95	143.56	143.56							
World Excl. US (718)	134.48	-1.1	119.03	118.03	123.13	123.33	-0.2	2.35	137.54	120.45	119.28	124.15	120.04	145.77	120.02	143.56	143.56							
World Excl. UK (282)	137.05	-1.4	128.46	127.35	132.33	130.29	-0.2	2.60	140.04	122.65	121.37	126.42	130.00	148.60	122.98	143.56	143.56							
World Excl. US & UK (221)	135.48	-0.4	128.46	127.35	132.33	130.29	-0.2	2.60	140.04	122.65	121.37	126.42	130.00	148.60	122.98	143.56	143.56							
World Excl. Japan (718)	147.83	-0.2	130.03	128.76	134.94	140.55	+0.2	4.46	148.19	133.72	132.50	137.72	140.57	148.12	123.28	146.00	146.00							
The World Index (2272)	140.13	-0.3	124.03	122.99	127.99	130.62	+0.2	2.60	140.76	128.26	122.16	127.04	130.37	148.01	123.28	146.00	146.00							



### INDUSTRIALS (Miscel.) - Contd.

51	2035AV High 10p.	77	-1	5.8	16.6	10
52	616Circuit 10p.	2514	-1	41.5	2.7	10
53	1330Circuit 10p.	177	-1	5.4	2.3	10
54	1330Circuit 10p.	177	-1	5.4	2.3	10
55	1330Circuit 10p.	177	-1	5.4	2.3	10
56	1330Circuit 10p.	177	-1	5.4	2.3	10
57	1330Circuit 10p.	177	-1	5.4	2.3	10
58	1330Circuit 10p.	177	-1	5.4	2.3	10
59	1330Circuit 10p.	177	-1	5.4	2.3	10
60	1330Circuit 10p.	177	-1	5.4	2.3	10
61	1330Circuit 10p.	177	-1	5.4	2.3	10
62	1330Circuit 10p.	177	-1	5.4	2.3	10
63	1330Circuit 10p.	177	-1	5.4	2.3	10
64	1330Circuit 10p.	177	-1	5.4	2.3	10
65	1330Circuit 10p.	177	-1	5.4	2.3	10
66	1330Circuit 10p.	177	-1	5.4	2.3	10
67	1330Circuit 10p.	177	-1	5.4	2.3	10
68	1330Circuit 10p.	177	-1	5.4	2.3	10
69	1330Circuit 10p.	177	-1	5.4	2.3	10
70	1330Circuit 10p.	177	-1	5.4	2.3	10
71	1330Circuit 10p.	177	-1	5.4	2.3	10
72	1330Circuit 10p.	177	-1	5.4	2.3	10
73	1330Circuit 10p.	177	-1	5.4	2.3	10
74	1330Circuit 10p.	177	-1	5.4	2.3	10
75	1330Circuit 10p.	177	-1	5.4	2.3	10
76	1330Circuit 10p.	177	-1	5.4	2.3	10
77	1330Circuit 10p.	177	-1	5.4	2.3	10
78	1330Circuit 10p.	177	-1	5.4	2.3	10
79	1330Circuit 10p.	177	-1	5.4	2.3	10
80	1330Circuit 10p.	177	-1	5.4	2.3	10
81	1330Circuit 10p.	177	-1	5.4	2.3	10
82	1330Circuit 10p.	177	-1	5.4	2.3	10
83	1330Circuit 10p.	177	-1	5.4	2.3	10
84	1330Circuit 10p.	177	-1	5.4	2.3	10
85	1330Circuit 10p.	177	-1	5.4	2.3	10
86	1330Circuit 10p.	177	-1	5.4	2.3	10
87	1330Circuit 10p.	177	-1	5.4	2.3	10
88	1330Circuit 10p.	177	-1	5.4	2.3	10
89	1330Circuit 10p.	177	-1	5.4	2.3	10
90	1330Circuit 10p.	177	-1	5.4	2.3	10
91	1330Circuit 10p.	177	-1	5.4	2.3	10
92	1330Circuit 10p.	177	-1	5.4	2.3	10
93	1330Circuit 10p.	177	-1	5.4	2.3	10
94	1330Circuit 10p.	177	-1	5.4	2.3	10
95	1330Circuit 10p.	177	-1	5.4	2.3	10
96	1330Circuit 10p.	177	-1	5.4	2.3	10
97	1330Circuit 10p.	177	-1	5.4	2.3	10
98	1330Circuit 10p.	177	-1	5.4	2.3	10
99	1330Circuit 10p.	177	-1	5.4	2.3	10
100	1330Circuit 10p.	177	-1	5.4	2.3	10

237	147 MacLure St. Bp. 30	146	49	19	43
146	117 Rehyon	13			
25	134 Bentaminter So				

[illegible]

113	65	Sketchley.....	98				
137	95 1/2	Smith & Heath 10p...	138 1/2	+13 1/2	4.35	1.7	4.2

[illegible]

## INSURANCES

Rank	Company	1997 Sales (\$ mil.)	% Chg. '96-'97	Employees
1	6700 S. Kings Hwy. P.O. Box 1400, Los Angeles, Calif. 90008	140	9%	140
2	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	135	9%	135
3	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	130	9%	130
4	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	125	9%	125
5	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	120	9%	120
6	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	115	9%	115
7	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	110	9%	110
8	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	105	9%	105
9	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	100	9%	100
10	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	95	9%	95
11	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	90	9%	90
12	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	85	9%	85
13	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	80	9%	80
14	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	75	9%	75
15	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	70	9%	70
16	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	65	9%	65
17	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	60	9%	60
18	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	55	9%	55
19	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	50	9%	50
20	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	45	9%	45
21	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	40	9%	40
22	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	35	9%	35
23	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	30	9%	30
24	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	25	9%	25
25	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	20	9%	20
26	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	15	9%	15
27	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	10	9%	10
28	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	5	9%	5
29	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	0	9%	0
30	10000 Wilshire Blvd., Suite 1000, Los Angeles, Calif. 90024	0	9%	0

47	1944 Westinghouse (A.J.) 10p	47	0.75	4.7
48	484 Wyko Group 10p	48	2.8	
49	1944 Wyko Group 10p	49	1.25	4.7

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## INSURANCES

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3



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## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	648
Fleming Pet. Sp.	28
Mott (Jes) 25p	1988 +2

IRISH	
Cap. 2½% In 2011	572
Soc. Cap. In 1992	597½
Pf. 15% 97/02	£135¼

Hutton Hedges	32
RBC	128½
Unifirst Drug	172





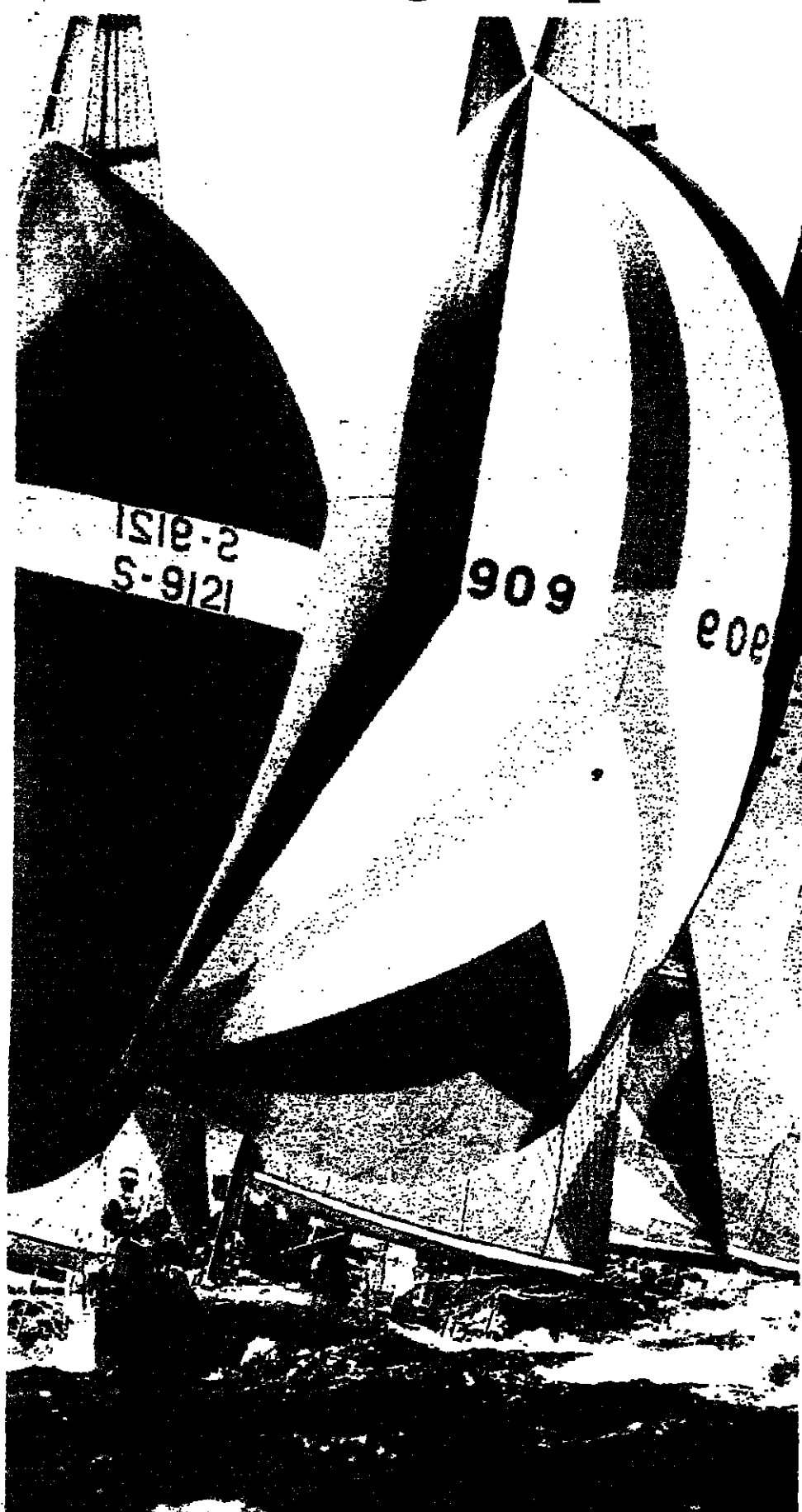


# Weekend FT

SECTION II

Weekend July 27/July 28 1991

## Keeping up with the Cowes blazerati



**N**AUTICAL almanacs, with their myriad predictions for tide times, currents and declination of the sun, still lack the most vital figure of all in many a sailor's mind: the exact date of Cowes Week. In fact, by traditions established and immovable, the regatta always begins on the Saturday following the last Tuesday in July. The latter, of course, is the start of Goodwood races - thus anchoring Cowes Week in the English social calendar rather than in the international sailing diary.

Nevertheless, democracy has come to Cowes. The elite which once gathered for drinks on the lawn of the Royal Yacht Squadron has become a vast crew of participants, more likely to be found with a pint of beer in a marquee on the waterfront.

One result of the explosion of bourgeois interest in sailing in the past decade is that huge numbers of newcomers wanted to tail on to the glories of Cowes Week. To the event's credit, unlike Wimbledon or Henley, it found space for everyone. In mass, mixed classes the standard of competition is not especially high - but then it never was. Participation rather than winning is the gentlemanly ethos of Cowes, and it still flourishes.

Sue Fielden, deputy secretary of Cowes Combined Clubs for close to 20 years, explains: "It is 50 per cent racing and 50 per cent social. In terms of race organisation we always try to get them back off the water in time for the parties."

Fielden might have used the singular. Cowes Week is one long party, held at multiple locations and punctuated by salt-water showers and rope-pulling. The narrow winding streets of the Isle of Wight town become pedestrianised since few cars can penetrate the crush.

Pubs and restaurants - of which you could treble the number and still not secure a table for four - open as many hours as the proprietor can stay awake. It is the nearest thing England sees to the spirit of carnival.

"Cowes is without a doubt the greatest festival of yachting in the world," says Martin Everard, a local leisure entrepreneur. Most of what he refers to as "the beer tents and jollity" are organised by Everard on land around the edge of the West Cowes Marina.

Here the crush of boats during the Week has to be seen to be believed. Imagine the car park at Goodwood if every spectator brought a house. Nearly 900 boats are expected to enter for the 1991 races, scarcely short of the 1989 record level.

Yet participation is what gives Cowes its unique flavour. "It's the only major event in the English social calendar where the majority of the people attending compete. They get their feet wet," commented Harold Cudmore, one of the world's top professional yachtsmen and a Cowes resident since 1987.

Cudmore and Everard are welcome at the pukka yacht clubs: the Royal London, the Royal Thames and, most of all, the Royal Yacht Squadron, which organises the racing. Blazerati members and begoggled wives thread their way through the town at cocktail hour throughout the Week. There is no more coveted ticket in England than one to

the Squadron Ball on the Monday night. "Against the couple of hundred who go to a Ball there are thousands of sailors who get no further than the beer tent at the marina," remarked Cudmore (invitations to dine at his own waterfront home by no means despatched). "But the whole thing has a certain cachet, a certain feeling. The Royal Yacht is anchored out there all lit up and people feel good. It's a form of transferred glamour."

It is no accident that the major clubs have "Royal" prefix. William IV, known as "the Sailor King", had his own racing yachts in the early 19th century and was instrumental in founding the Royal Yacht Squadron. In 1812 the first official regatta was staged and 14 years later the Royal Yacht Squadron formally organised a three-day racing event. The royal seal of approval came in 1827 when George IV presented a cup to mark the competition.

Princes and kings, they all came to Cowes. King George V ushered in the new "hands-on" era of the 20th century when he insisted on helming the 220-ton *Skytender* himself in the "big class" races. He and Queen Mary stayed aboard the royal yacht *Victoria & Albert*, with a dreadnought anchored a few cables away.

Officers of Her Majesty. Great store is set on the propriety of items such as blazer buttons - black, never brass.

The fashion industry's attempt to do for sailing what it did for skiing - make a new outfit every season *à la rigueur* - is doomed among the traditionalists. No gentleman yachtsman would be seen in trousers other than rust-coloured cotton duck. Yet so firmly is the modern sport growing that a little pageantry and prejudice does no harm.

"People who join in these traditional charades enjoy themselves enormously and we feel good watching them, and that is not to be undervalued," observed Cudmore, skipper of *White Crusader*, the British yacht which challenged for the America's Cup in 1986.

In the past decade few sports and recreations have boomed like boating. Increased affluence and technological changes have made this possible. The hardy souls who went to sea in the 1960s powered by cotton sails and a copy of *Practical Boat Owner* after a winter spent varnishing and painting would hardly recognise the modern family yacht.

After wiping down the plastic hull with a soapy cloth, replacing the battery in the small, lightweight and 100 per cent reliable diesel engine and rins-

ing the salt out of braided artificial rope that could last 20 years, the spring refit is complete.

"We've seen huge increases in engine reliability and the development of ideas such as wheelhouse cruisers that make year-round sailing feasible," commented Paul Wagstaffe, director of the British Marine Industries Federation. Last year BMBF members had a turnover of more than £1bn for the first time.

"The recession is real and turnover in the industry may be down 20 per cent this year but the long-term growth is solid. The response at our Try-a-Boat event shows us how many people are planning to get aloft in the future."

The huge increase in the number of sailing yachts based around the Solent and erosion of social deference made it inevitable that elitist barriers surrounding participation at Cowes Week would crumble.

"It certainly isn't an elite sport any more. That has changed tremendously," agreed Sue Fielden, whose Cowes Combined Clubs run the eight days of actual racing. "This year we thought that recession would hit the numbers of entries but we're back towards 900 plus." Quite a few of these will be first-timers, possibly brand new to racing.

She says there is a growing number of racers who do not know the rules. "One first-time visitor to Cowes Week was hit three times by other boats last year, none of them his fault. He'll never come back."

Rosemary Joy has seen a world stand on its head since her first Cowes Week in 1987. She was hired by Uffa Fox to act as interpreter between the legendary sailor and his new French wife. Fox was an eccentric genius, the leading racing dinghy designer of the 1930s, who typified Old Cowes. In one race, when the fleet was lost in fog, he imitated a barking dog, tricking nearby competitors into thinking they were virtually on the beach. In later life Fox was Prince Philip's sailing guru.

"The grander yachtsmen used to have full-time sailing secretaries to organise their racing and a boat-nigger to run the yacht and make sure there was a full crew," Rosemary Joy recalled.

Rosemary's father came to Cowes to helm the crack 12-metre *Vanity* for a Guards officer named "Pimble" Boyle. It was an ambition that had hardly changed for 50 years. Max Aitken, heir to the Beaverbrook fortune, would cruise down the High Street surrounded by a shoal of London models imported for the Week.

Most of the entertaining was done in private homes, she recalls, by yacht owners who would bring a full domestic staff with them. Nowadays a Sigma 33 (a modest glass-fibre yacht, affordable to a successful bank manager) is quite likely to be shared by two or three partners, with at least the younger members sleeping aboard while the owners pile into Red & Breakfast - Cowes is notably short of hotels.

Change, and the pressure for more, is everywhere. For the last two years Land Rover has sponsored Cowes Week. Research showed the four-wheel company that nearly a quarter of its vehicles were used to pull boats; so to support the regatta, although innovative at the time, now seems quite natural.

**As bank managers rub hulls with royalty, Keith Wheatley examines the democratisation of a great British sporting event**

The Duke of Edinburgh revived that tradition when he came to Cowes aboard the current royal yacht, *Britannia*, in 1980 and has competed virtually every year since. For many years he owned an elegant 25ft Dragon-class keelboat (exciting but inexpensive) named *Bluehound*. In the past decade the Duke has invariably helmed modest yachts borrowed from friends for the day's racing.

If the royals are more heritage than halyard, more icing than cake, so too are the principal yacht clubs - at least in a social sense. "When I first became commercially involved in 1985, unless you were a member of a major club, the only social facility was the bar of the Island Sailing Club. With 8,000 people trying to use it, things weren't very hospitable. Now it's a festival for everyone," said Crispin Lowe, owner of West Cowes Marina.

Two years ago Lowe outraged the "blazerati" with his audacious acquisition of the Royal Corinthian Yacht Club. A sleepy and moribund membership found that they inhabited buildings owned by a very commercial animal. Dukes were lobbied and warrants removed by the dispossessed, but the club now flourishes as the Castle Rock Yacht Club. "Despite the dire predictions I have yet to see anybody in here with grey shoes or white socks," asserted Lowe, who faced a prejudice that his membership would consist entirely of the more dubious sort of property speculator.

Yet Oldie England can, of course, be glimpsed everywhere in Cowes. Try the private land stage of the Squadron, where a gilded noticeboard informs that it is for the use of "Members and serv-

ing officers of Her Majesty". Great store is set on the propriety of items such as blazer buttons - black, never brass.

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Crispin Lowe has considerable plans for the land adjoining the marina, now that the actual boatyard has been moved a mile or two up the Medina River. "Yachting is years behind other sports in terms of facilities," believes Lowe.

He has a development in mind that could operate virtually year round; offering restaurants, conference facilities, bars and shopping - all just a few yards from the waterfront. As one might expect, his plans have divided the town between the local unemployed, who hope they might find a job in the new emporium, and comfortably-off traditionalists.

Yet for most of the year Cowes is a depressed town that needs help. The defence industries that once sustained the local economy - 25 years ago frigates were still built just up-river - are in steady decline. The sailing industry is famous but employs relatively few.

"The contrast between the ebullience of Cowes Week and the dismal economic scene for the rest of the year is the most startling thing when you come to live here permanently," said Harold Cudmore.

An economic survey by accountants Ernst & Young found that life of Wight people are some 25 to 30 per cent worse off financially than their mainland counterparts. Outside the ephemera of Cowes Week, most tourists are coach trippers and they are becoming fewer.

"Cowes is an ageing beauty - at her best when seen at a considerable distance and dressed for an evening out," pronounced Cudmore.

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### The Long View/Barry Riley

## Home truths about houses



**THE HOUSING** market, estate agents and mortgage men say, is sleepy. Hopes of a modest revival of activity and prices in the wake of this year's fall in interest rates have been dashed.

Net new lending by the building societies in June was 13 per cent lower than in the same month last year. Mortgage lending by the banks has halved, and independent providers are struggling, with National Home Loans hitting a funding crisis this week. Over the past nine months the cost of home loans has come down by something over 3 per cent, from typically 15.2 to just under 12 per cent, and yet house prices nationally are slightly lower than they were a year ago in nominal terms (and nearly 10 per cent down in real terms).

Generally, the recession is being blamed. People are worried about taking on extra commitments when there is a question mark over the security of their jobs. The housing industry likes to emphasise this sort of reason, because it implies that when the economy recovers the residential property market will pick up smartly again. But there is another possible reason why home buyers are adopting a low profile: a perception that houses are expensive, and that their attractions as investments in the future may have been seriously damaged.

This is overriding the normal pattern that prices in investment markets rise when interest rates come down: the behaviour of the house market is in sharp contrast to what has been going on this year in the buoyant stock market.

Some clear red signals have been flashed up. The ending of higher rate tax relief on mortgage interest in the March Budget was as direct an indication as you could want of a post-Thatcherite shift in the political attitude to the promotion of home ownership. A few weeks later Robin Leigh-Pemberton, Governor of the Bank of England, declared forthrightly that the country could not afford another surge in house

prices: if one looked like taking place there would have to be drastic counter measures, possibly including credit controls.

The promotion of home ownership by the Conservatives has been successful: compared with 55 per cent in 1979, some 68 per cent of British houses are now owner-occupied. It was also politically astute for a long time.

But the Tories adopted a distinctly peculiar method of bringing the change about. A rational economist would encourage people to buy houses by making them cheaper and more abundant.

In one respect, indeed, the Conservatives did precisely this, by granting council house tenants the right to buy at low prices (this increased the supply of owner-occupied homes but not, alas, of houses in general). Otherwise, however, restrictive planning rules mostly remained in force. This miasma ensured that houses became more expensive and the main justification for buying one came to be that the price would rise higher and higher in future. Profit rather than a roof over one's head turned into the main objective.

**F**or a number of years this proved undeniably effective. The average house price for the UK as a whole surged from about £30,000 in 1984 to £60,000 by 1989 (the national price peak was reached in the third quarter of that year, although it was a year earlier in London). But there was always the nagging question of what would happen when prices had reached such a level that first-time buyers could no longer afford to jump on to the bottom of the ladder. As a sub-plot, there was also the problem of how the financial system could cope with escalating demands for credit. By 1989 it took £34bn a year of new net lending just to sustain prices, let alone permit further growth.

The ratio of the average house price to average income rose from the historically typical range of 3.0 to 3.5 in the early 1980s to 4.5 at the peak. It is now around 3.8, still rather high. Moreover a deceleration in average earnings growth to perhaps 5 per cent next year

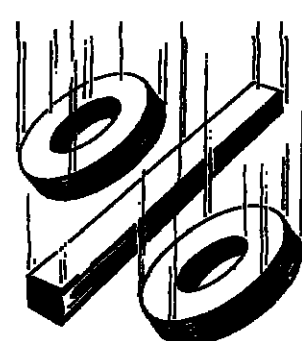
will not help a speedy adjustment; in the past, rapid earnings growth has brought the ratio down quickly without the need for a serious adjustment downwards in nominal prices.

The old inflationary reasons for buying houses have evaporated, at least for the time being. This leaves the problem that many people have overinvested in houses that are too big and too expensive to maintain; prices at the top end have been much weaker than in the lower and middle ranges.

**C**ycles in house prices are nothing new, but there may be more to this one. The structural economic recession is leading to a shift in political thinking among the Tories as well as the Labour Party: production-oriented policies are likely to figure much more strongly in the 1990s. Accordingly there is going to be more examination of the case of the pro-home ownership incentives as well as the political benefits. Typical was this week's study from the Joseph Rowntree Foundation which implied that the remaining basic rate relief on mortgage interest - which costs about £2bn a year in lost revenue - has led to interest rates being possibly 2 per cent higher than they would otherwise be. Those higher rates are paid by industry.

That is, however, a backward-looking analysis. You can argue that within the European Monetary System the level of interest rates in the UK in future is going to be externally determined. Too much support for home ownership is therefore going to lead not to higher interest rates, as it did in the 1980s, but to higher house prices and, as a consequence, to higher pay levels than those elsewhere in the EC. It is a recipe for the UK to become a depressed area industrially.

Could we therefore switch to a cheap housing strategy after all? This may be a big jump for the politicians to make. They may fear that 15m impoverished home owners could turn vengeful. Any change in policy, even by Labour, will be less than explicit. But do not day-dream too much about how much your house in the leafy London suburbs was briefly worth back in 1988.



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## WEEKEND FT

## THE WEEK IN PERSPECTIVE

## FINANCE AND THE FAMILY

## London Markets

## Small is still far from beautiful

WHEN the FT-SE 100 index reached a new record of 2587.9 on Tuesday, the broader FT-Actuaries All Share index came tantalisingly close to the levels it reached before the 1987 crash. The All Share closed on Tuesday at 1234.10, a whisker away from the record of 1238.57 set in July 1987.

The FT-SE is already 6 per cent higher than its pre-crash high; the All Share has still to surpass it. The explanation lies in the "size effect" of the last few years: the fact that larger companies have tended to do better than smaller ones.

As measured by Hoare Govett's elaborate set of indices, smaller companies are still 5.2 per cent below their mid-April high and 26.5 per cent below the record reached in July 1987. Adjusted for inflation, they are 46.5 per cent down on the pre-crash level.

The chart shows that the sustained underperformance of smaller companies in recent years had a brief respite in February and March: as measured by County NatWest, smaller companies outperformed the All Share by over 4 per cent in the first quarter of the year. Also, in the second quarter smaller companies underperformed once more, and they continued to languish in relative terms, anyway - in early July.

Michael Howell of Salomon

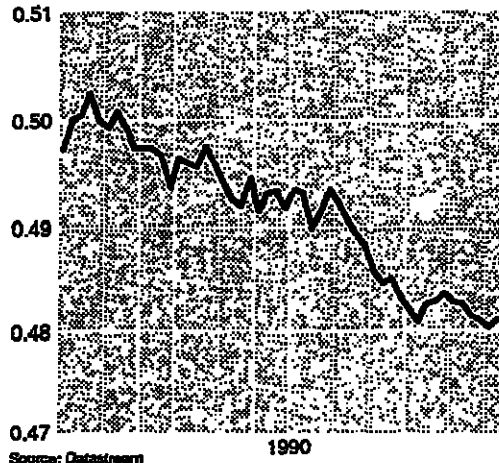
Brothers argues that the All Share minus the FT-SE stocks constitutes a universe of medium-sized companies that reflect the conditions of the UK economy more closely than larger groups. "They tend to be more representative of the British economy," he says, "and they have slightly higher gearing. Given that the market has grasped hold of the idea of economic recovery, it is reasonable to suppose that we may see medium-sized companies outperforming again, as they did in the early months of the year."

The reasons behind smaller companies' underperformance stem in part from their greater exposure to the UK economy. Since Britain's recession has been deeper than most, it stands to reason that companies with a heavy dependence on UK sales have done worst. But Geoff Douglas of Smith New Court, the doyen of smaller company analysts, thinks other factors have also been at work. "A lot of smaller companies entered 1990 already more highly borrowed than larger ones," he says. They had kept investing and acquiring in 1989, at a time when funding had started to dry up, so they entered the recession more heavily geared than their larger counterparts. Many have paid the price for that in the past difficult 12 months.

There will be more recoveries to come, says Douglas,

## Smaller companies underperform

FT-Actuaries All-Share Index divided by the FT-SE 100 Index



Source: Datastream

once the recovery does arrive. "Companies that are hanging on will find their working capital pressure will go zooming up," he says. Among smaller companies, look for ones with strong balance sheets, he says.

One of the striking features of the smaller companies indices so far this year has been the poor performance of small financial businesses. This week was no exception, as some smaller institutions suffered from perceptions that lenders might be fleeing to quality after the collapse of Bank of Credit and Commerce International. National Home Loans, the mortgage lender, was a conspicuous victim. On Monday its shares fell 19p, on Tuesday it announced that it was arranging loans with the UK clearing banks and its shares dropped from 99p to 83p in this trading. By Friday, even though the clearing banks had all been agreed, the share price continued to drift, ending the week at 85p, down 53p.

Another smaller financial institution also suffered during the week. Union Discount, which reported a £7.25m interim loss on Wednesday, immediately lost more than a quarter of its stock market value. The shares closed on Wednesday down 12p, having nearly halved since their high in February. They closed the week at 44p, down 132p.

The UK economic recovery that smaller company shares are looking for seemed to come a step closer on Monday, with the publication of strong retail sales figures. Just as cheering were healthy trade figures, implying that when the recovery does get under way, the government is likely to face less pressure to cut short for balance of payments reasons.

After reflecting on these figures the market pushed the FT-SE to a new record on Tuesday. Stores (up 2.7 per cent on the day) and building materials companies (up 2.6 per cent) were the leaders, since these two sectors are likely to be among the earliest beneficiaries of the upturn. Marks and Spencer rose 3p to 284p on Tuesday, and closed on Friday

at 286p up 19p (7 per cent) on the week. Redland, the building materials group, rose 23p on Tuesday to 583p, closing the week at 590p, up 21p.

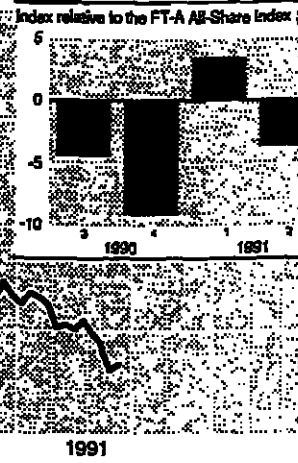
Two of Britain's largest companies were also making news. By announcing better than expected interim results, and putting a firm number on the profits improvement to be achieved through cost saving measures, ICI went some way to fend off the threat from Hanson. ICI shares closed on Thursday, the day of the announcement, at 1319p, up 12p. On Friday, having had a chance to digest the implications, the market edged up a fraction, to close at 1321p, up 34p on the week.

BT shares rose 3 per cent on Wednesday, as the market heard that a deal was close to prevent a reference to the Monopolies and Mergers Commission in the dispute with the telecoms regulators. The deal was announced on Thursday, clearing the way for the flotation of a second tranche of BT shares in November. The company's shares closed on Friday at 384p, up 34p or 8.6 per cent on the week.

Followers of the FT's own economic indicator, the paper's classified job advertising linkage, mentioned in this column last Saturday, might like to know that this week's volume was again healthy. Brian Powell of the FT's advertising department says he is "quietly confident".

## County NatWest Smaller Companies Index

Index relative to the FT-Actuaries All-Share Index (%)



Source: Datastream

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Another smaller financial institution also suffered during the week. Union Discount, which reported a £7.25m interim loss on Wednesday, immediately lost more than a quarter of its stock market value. The shares closed on Wednesday down 12p, having nearly halved since their high in February. They closed the week at 44p, down 132p.

The UK economic recovery that smaller company shares are looking for seemed to come a step closer on Monday, with the publication of strong retail sales figures. Just as cheering were healthy trade figures, implying that when the recovery does get under way, the government is likely to face less pressure to cut short for balance of payments reasons.

After reflecting on these figures the market pushed the FT-SE to a new record on Tuesday. Stores (up 2.7 per cent on the day) and building materials companies (up 2.6 per cent) were the leaders, since these two sectors are likely to be among the earliest beneficiaries of the upturn. Marks and Spencer rose 3p to 284p on Tuesday, and closed on Friday

Peter Martin

## Serious Money

## A friendly gesture from Mr Lamont

By John Authers

NORMAN LAMONT is an unlikely fairy godmother. But it was a stroke of his legislative wand in the Budget which has finally allowed the Cinderellas of the financial services industry - the friendly societies - the chance to go to the ball.

Royal assent to the Finance Bill, which passes this year's Budget provisions into law, means that the amount you can put into a tax-free friendly society savings scheme has been increased from £150 to £300 per annum - £18 per month.

More important, children will from September be allowed to hold friendly society bonds. As the other main form of tax-free equity investment, the Personal Equity Plan, is only open to those over 18, it is hard to find a case against investing in the bonds for children.

While many readers will not be very impressed by the modesty of the sums, children or grandchildren are likely to find the offer of a £200 a year savings scheme very tempting. Also, a family of four can invest a total of £800 per annum - a sum which begins to look substantial. Is this new deal as good as it looks?

Friendly societies are similar to mutual life insurance companies and share most of the advantages. However, their legal and tax position differs significantly. No tax is paid by the societies' funds while they are going through the business of investment. The saver also gets the final lump sum tax-free.

In return for this privileged tax position, friendlies are restricted to low figures for total investment. More important, the Exchequer only foregoes so much tax because it knows that all the savers are genuinely long-term: you are not allowed, by law, to profit from a tax-extended friendly society policy unless you have invested for a full ten years.

Surrender values are thus even worse than those offered by the societies' big brothers,

the life offices. Give in your policies early and all your premiums, presumably ravaged by inflation, will be returned - and nothing more.

Few readers are likely to be unable to continue a commitment to pay £18 per month, but it is a point to bear in mind.

The friendly society movement still has a number of problems which should be addressed over the coming months. For example, it is not easy to find a comprehensive list of societies. One reader, attracted by a recent article in the *Weekend FT* on the subject, tried to find one, and eventually tracked down the Registry of Friendly Societies in London (071-437-9992).

The Registry was very helpful, but was unable to provide a list of societies without prior payment of £12. This is not unreasonable, as the information costs money to collate, but the likes of the Unit Trust Association and the Association of Investment Trust Companies are able to keep potential investors rather better informed.

Then there is the problem of comparing performance. Good though the tax advantages are, there is no point in investing in a society which cannot provide a competitive investment.

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Also, some - such as Tinsbridge Wells - will use the "with profits" system while others - such as Family Assurance - are unlikely, with consequent slightly greater opportunities - and risks.

The weight of charges, inevitably proportionately greater on smaller funds, is also a problem which the societies must address. A 50p per month charge on your premium to cover administration will hurt more if you can only invest £18. However, this should still not cancel out the tax advantages. As a rule, larger societies should be proportionately cheaper to administer.

Marketing has imposed handicaps on the friendlies in the past. Given the Budget changes, some of the larger societies - Family Assurance, for example - are planning new promotions. Homeowners has produced a guide to investing for children decorated with scenes from *Alice in Wonderland*. If the friendlies are going to grow to rival the bigger institutions, it certainly seems to be now or never.

In the final analysis it is very hard to find serious problems with the product. The FT's consistent advice when choosing an investment product is that long-term growth is best achieved via a balanced collective investment in equities. Friendly societies do this. If underlying investment performance is sound, the next criterion you should look at is your tax position. Again, friendly societies pass with flying colours - the tax position could not be better.

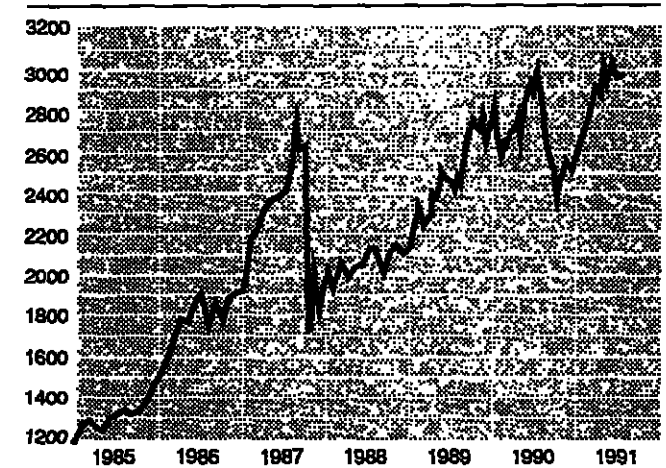
Finally, look at the charges. Here, the friendlies do not compare so well, although the commissions paid to intermediaries could be worse. For example, the Tinsbridge Wells pays £50 to intermediaries for a £200 per year policy.

Arrange a direct debit for £18, and in ten years you should have the satisfaction of benefiting from Norman Lamont's generosity.

## Wall Street

## On edge over a double dip

## Dow Jones Industrial Average



figures were better than the first quarter, when the combined effects of recession and the Gulf war kept customers out of car showrooms, but the three face a gradual return to profitability and are expected by Wall Street to post losses for the full year.

Some of the week's greatest corporate dramas unfolded in the computer sector, where two of the largest US companies - Digital Equipment and Unisys - each announced special charges of over \$1bn to cover cost cutting measures and *Compaq*, a high flier in the personal computer market, produced a drop in second quarter profits of 81 per cent.

The industry is being hurt by the domestic recession, which has caused many US companies to delay capital spending plans, by the weakening of the European market, and by fierce price competition, particularly at the personal computer end of the market. However, Digital did manage to produce an upturn in second quarter operating profits which were at the upper end of expectations, and Wall Street responded favourably to its cost-cutting plans,

which could involve the departure of up to 10,000 workers, over 8 per cent of its labour force. The company also moved to boost its presence in Europe, where it still makes most of its profits. It has agreed in principle to buy the \$1bn turnover mini-computer business of Philips Electronics.

Unisys is in a very different position. Far from expanding, the company is eager to sell bits of itself off as it struggles with a crippling debt load and a sharp downturn in its mainframe market. The product of an ill-starred merger, five years ago by Sperry and Univac, Unisys plans to cut its workforce by around 14 per cent, slim its product range and consolidate its plants. It forecasts that these moves will restore it to profitability later this year.

That would certainly help remove the spectre of the bankruptcy courts, which has been hanging over the company, and should make the various parts of the business more attractive to potential buyers. But Unisys still faces a struggle to persuade customers to remain loyal to a business in such a tight financial corner.

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Tuesday 2963.23 - 22.74  
Wednesday 2963.23 - 17  
Thursday 2960.10 - 12.97

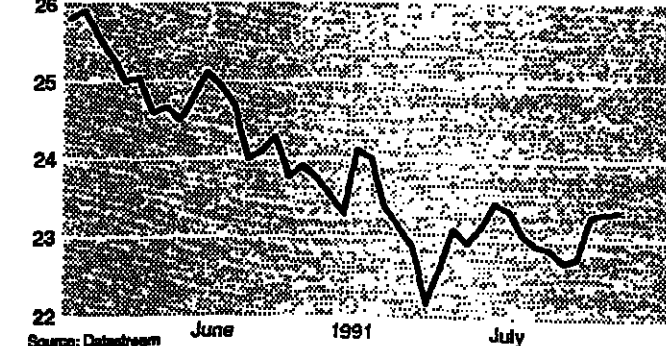
Martin Dickson

## The Bottom Line

## Japan: a strong case for watching and waiting

## Japan

Nikkei Average '000



overhang of potential supply from previously issued warrant bonds, which come with stock purchase rights, and convertible bonds, which can be converted into stocks, has sent jitters through Tokyo's financial community.

Life assurance companies facing a fall in the inflow of funds due to interest-rate deregulation are threatening to liquidate low-yielding sharehold-

ings, and investment trust funds face redemptions, which could total ¥7,000bn, for trust funds set up in 1989.

But the bulls contend that fundamentals, such as the outlook of the Japanese economy and interest rates, are improving.

Economic indicators point to a slowdown of the economy and lower inflation on the horizon. Industrial production,

which peaked in the fourth quarter of last year growing 6.9 per cent, has slowed to a 1.3 per cent year-on-year growth in June.

Growth in capacity utilisation has fallen to a barely positive figure from a year-on-year rise of 4 per cent rise in the last quarter of 1990.

Household spending is sluggish at 0.6 per cent rise in May, and the number of car registrations for the same month was down 5.8 per cent on last year. Monetary policy is expected to be eased accordingly, with a further cut in the official discount rate expected towards the end of this year. The Bank of Japan now aims to slow the economy while avoiding a recession.

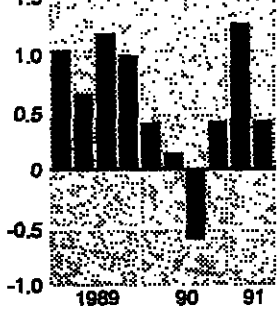
Economists predict that the Japanese economy will regain strength as early as the first quarter of next year. The expected recovery of other industrialised countries should also lift the Japanese economy. While the bear market of the 1980s lasted for four years, other post-war downturns in

Emiko Terazono

## AT A GLANCE

## Unit Trusts

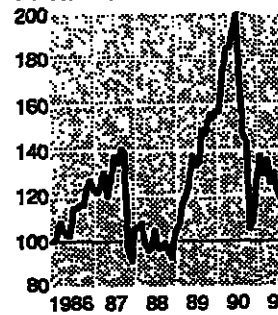
Net new investment (£bn)



Source: UTA/ABVCSO

## Reuters

Share price relative to the FT-Actuaries All-Share Index



Source: Datastream

## Unit trust sales fall

Sales of unit trusts fell in the three months to the end of June. Gross sales were £2.5bn, down from £3.19bn, and net new investment was £427m, down from £1.247bn. Philip Warland, UTA director general, said that the drop in gross sales could probably be explained by heavy buying by institutional investors in the first quarter. Institutions made net new investment of £381m during the three months to March, mainly because they were switching out of cash in the aftermath of the Gulf War. Buying by the big funds appeared, on anecdotal evidence, to have diminished.

## Rollercoaster ride for Reuters

Reuters lost ground after being up on the back of comfortable interim profits results earlier in the week. The shares fell from their week's high of 802p to close 14p down at 788p on worries of US competition. They started the week at 774p.

## Coloroll pension fund query

The High Court has asked the European Court of Justice what effect a ruling the ECJ made on sex equality in pension benefits will have on the 3,400 male and female members of pension funds in Coloroll, which collapsed in June last year. The Coloroll issue arises because of the European judges' ruling in the Barber case in May 1990 that pension counted as pay and that different pension qualifying ages for men and women would offend Article 118 of the Rome Treaty. Difficulties have arisen over the degree of retrospective that should be applied to benefits accrued before the Barber judgment. The Coloroll trustees cannot wind up the pension schemes until they know how that ruling affects them. Barber factor hits share schemes: Page III

## Council tax bands are extended

Michael Heseltine, the Environment Secretary, this week announced a move which will increase the amount of council tax paid by people living in more expensive homes. Properties will now be divided into eight bands, not seven, when the council tax replaces the poll tax in April 1993. In England, the top-rate band will affect homes worth more than £230,000 (up from a previous highest band of £160,000). The extra band produces a bill of about £800 for an average two-person household. In Wales, the new top band will apply to homes worth more than £240,000; in Scotland, £212,000. Heseltine also forecast that poll tax payers in England should pay an average of £258 per person next year.

## Smaller companies show slight rise

Smaller companies indices rose this week. The Hoare Govett Small Companies Index rose 0.8 per cent to 1163.85 in the week to July 25. County's index increased 0.4 per cent from 936.4 last week to 940.2 over the same period.

## Read all about it...

The press has become the single most trusted source of financial advice for Britain's wealthier individuals, according to a survey. Advice from banks, building societies and independent financial advisers is treated with scepticism according to Prospektus, the research and marketing consultancy, in a survey of employees earning an average £27,000. The main complaint was the belief that advice was distorted by the non-disclosure of commissions and the drive to make sales. Investors found the press to be "the one information source which is genuinely trusted and respected."

■ "Wealth and Net Worth Individuals, Prospektus, 6 Manor Gardens, Larkhall Rise, London SW4 6JZ



## FINANCE AND THE FAMILY

# Making the best of the worst of news

Insurance companies are pushing 'dread disease' policies hard — but how good a deal are they? John Authers and Eric Short report

**Y**OU CAN now receive the death benefit on a life insurance policy before you die. To do this you need a "dread disease" policy.

These policies, designed to pay out when a terminal illness is diagnosed, meet a clear consumer demand and have many advantages. They could relieve you of much financial difficulty and allow you to plan your affairs at a time of great personal stress.

But beware. The policies are being used, particularly by less scrupulous salesmen, to sell people far more insurance than they need. And the tactics some offices have adopted to gain market advantage are highly dubious.

As a result, choosing the right policy will be harder than it should be. Reading the small print — always important in insurance — will now be of vital importance.

Critical illness policies certainly have a place in your financial blueprint, but they are an unscrupulous insurance sales agent's dream. No one likes the prospect of death, but the prospect of cancer, or a crippling accident, can scare people even more.

As the table shows, this cover is much more expensive than standard life cover, although some policies include a heavy element of life assurance. If your mortgage is covered by an endowment, and you already have adequate separate life cover, a dread disease policy on top could leave you pointlessly over-insured.

Peter Hargreaves, of Hargreaves Lansdown, the independent financial adviser, puts it bluntly: "Critical illness is something which has been thought up as a marketing tool by the life insurance companies. I think it's gimmicky."

His opinion, shared by most advisers, is that good life cover must come first, and that dread disease is an addition, not an alternative.

Mark Bolland, of Chamberlain De Bree, says: "There is a place for it, but I imagine that it is mis-sold a lot by the more unscrupulous salesmen. The argument used to sell it is that you are six or seven times more likely to survive a heart attack than to die from it. You have to look at your circumstances and decide whether it's the right thing for you."

Standard life cover should come first, he suggests, followed by a critical illness contract which does not also pay

out on death — such as those offered by Abbey Life, Allied Dunbar or Pegasus — for the best value.

The small print is another problem. Life offices, realising that dread disease is a great marketing opportunity, are playing "beggar-my-neighbour". Market advantage can be gained by covering against slightly different illnesses and conditions in rival policies.

This results in potentially cruel confusion. No two policies cover the same "critical illnesses". For example, only one policy, from City of Westminster, covers you against loss of hearing, according to Towry Law. However, it is the only policy which will not pay out if you have a bone marrow transplant.

All other policies have similar anomalies. All, rightly, cover a "heart attack". However, when does "heart surgery" constitute a critical illness? If you have a bypass operation, Pegasus and Prolific will cover you if only one artery is involved, according to Baronworth, while Abbey Life, Allied Dunbar, Commercial Union, Equity & Law and General Accident only pay out for a double bypass. Pegasus and Prolific are also the only two of these offices to pay if the surgery involves the heart valve or the aorta.

This makes comparisons of the premiums all the more awkward. Baronworth, asking for quotes for £100,000 cover for a man aged 35 next birthday, found a variation in monthly premium from £40.56 (Equity & Law) to £57.50 (Commercial Union) for non-smokers.

If you smoke, you might find the extra premium alarming — highest and lowest premiums for smokers were £56.50 from General Accident and £111.27 from Commercial Union.

Variations are likely to stay broad while life offices acquire more claims experience. As the longer players, such as Abbey Life, now have relatively high premiums, newer entrants might offer good value.

Colin Jackson, of Baronworth, warns that "it is almost impossible to give best advice". Choosing a policy is bound to be a disquieting, You must give yourself a choice of several — which gives independent advisers a marked advantage over tied agents.

Critical illness contracts are here to stay, and demand is going to grow. But it would certainly help if the life insurance industry could agree on just what a critical illness is.

ing, it has clearly been advised that the same non-discrimination principles are equally applicable to the benefits doled out under share incentive schemes. A new Finance Bill clause to take the discrimination out of share schemes was tabled at the beginning of this month and has since been whisked through Parliament at breakneck speed.

The concept of retirement age has less significance for share incentives than for pensions because it is only in exceptional circumstances that retirement will be the trigger for an employee's rights under a share scheme. The new provision caters for those exceptional cases.

The main effect will be felt by pre-retirement participants in savings-related share option schemes approved by the Inland Revenue. Such schemes must be open to all full-time employees who have completed a qualifying period of up to five years service and all members of staff who take part must do so on similar terms.

Employees are granted options to buy shares five or seven years later, using the proceeds of an SAYE contract with either a bank or Building Society. The price at which the shares can be bought is fixed when the option is granted and must be not less than 80 per cent of the full value of the shares at that time.

Employees who leave the company before the five or seven year maturity date will normally lose their options. However, there is a special dispensation for those who are retiring provided they have reached "pensionable age" — defined as the state retirement age — or any other age at which their employment contract forces them to hang up their boots. In addition, the legislation allows for early exercise by employees who keep working after reaching "pensionable age".

These two references to pensionable age — allowing women to exercise at 60 but men not until 65 — put the government's lawyers in fear of another judicial thunderbolt from Luxembourg. The solution which will be mandatory for all SAYE schemes approved after July 26, when the Finance Bill became law — is to replace "pensionable age" with "specified age". That will be an age decided upon by the



Tranquil days: Insurance against serious illness can ease the worries of old age

## Critical illness contracts: how they work

### COMPARATIVE COSTS OF CRITICAL-ILLNESS AND WHOLE-LIFE COVER

Age	Standard cover £100,000 monthly premiums		Maximum cover £100,000 monthly premiums	
	Critical illness	Universal life	Critical illness	Universal life
30	52.38	54.00	52.66	51.00
35	57.87	62.00	41.78	28.00
40	114.92	81.00	65.21	35.00
45	162.71	115.00	97.30	49.00

Source: General Accident Life

taken out with a whole-life or term-assurance policy, if the individual has no other form of death cover.

Critical-illness contracts cost much more than whole-life cover, and underwriting requirements are more stringent. There tends to be more emphasis on checking that the amount of cover required is consistent with your own financial circumstances.

The contract operates in the usual manner for unit-linked life contracts. Charges and the cost of the risks are deducted from each monthly premium, with the balance invested. Individuals have a choice of funds — equity, property, fixed-interest, managed and, for the traditional life companies, a unitised with-profits fund.

The common practice is to take two sets of assumptions

to calculate the premiums — a standard set and a more optimistic set. Premiums on each contract are reviewed periodically and can be changed at any time to ensure that they meet the selected cover.

The standard-cover basis produces higher premiums, but they should not require any increases. Indeed, investors can expect a better performance than assumed by the actuaries, resulting over time in lower premiums or a greater return.

The more optimistic basis, known as maximum cover, results in much lower premiums at outset, but could well

## Long-term care cover

**I**NSURING against going into long-term care can be very distressing for the individual. However, it has also caused many insurance underwriters a lot of grief over the last few months.

With no previous claims experience on which to base calculations, the companies offering the products have had to do copious research — and then hope for the best. The premiums being charged are probably reasonable value, but nobody could yet swear that — you might be getting a good deal, or the life offices may be making a fortune.

These policies are a game of chance, to a greater extent even than the critical illness policies. Experts still doubt whether the policies are worth pursuing, as they may prove over-expensive and the sums which have to be paid out are high.

Martin Palmer, of Towry Law, put it this way: "Do you want to be a pioneer? If you wait a few years, the range of options open to you will probably increase. For this reason, he tends to counsel caution."

However, the companies which have been bold enough to launch the products deserve credit. The need, and the market, is the same in each case, but Cannon Lincoln, Commercial Union and Eagle Star have come up with three conceptually different products.

Most had difficulty ratifying the products for tax purposes with the Inland Revenue, although the industry hopes that in future the government might offer tax relief.

Eagle Star's Care Fees Payment Plan is aimed at people who are already quite elderly and have decided to enter a home. It is thus not an insurance policy as such, but an easy payments plan.

It works rather like an annuity, although in fact it is an endowment policy. The problem is that you need to provide a large lump sum before you start. If you do not survive long, it will not be good value, although premiums will be returned if death occurs within six months.

However, the rates you

receive are superior to those for a standard purchase life annuity, as the following figures show. A woman paying a single premium of £50,000 would receive £5,055 each year from an annuity. Under the plan she would receive £7,188, or £16,880 if she was in very poor health. At the age of 85, when annuity payments would be £2,333, she could receive £9,168 under the plan, or £17,184 if in very poor health.

Cecil Hinton, of Hinton & Wild, which specialises in finance for the elderly, said: "Only a few people are going to be interested in it, because of the costs. I don't think it will be for the average person."

You need to make a decision on Cannon Lincoln's plan at the age of about 60 or 65. Its Oasis Plus scheme is an annuity which you buy with the proceeds of your pension fund when you retire.

Your annuity is lower at the start, but can then go up considerably if you need to go into care. Thus, if your level annuity payment would have been £2,000, the Oasis Plus option would start by paying you £1,800, but would rise to £4,500 once you reached the age of 85, or when you become unable to perform four of the "six basic activities" of daily living.

The Commercial Union policy is more of a straightforward "protection" policy. You start paying the premiums in middle age. It pays benefit once you become incapable of four out of six Activities of Daily Living (ADLs). These are: washing, dressing, continence, toileting, moving in and out of chair or bed, and eating and drinking. Organic mental illness requiring supervision will qualify you for a payment automatically.

Monthly premiums are £40.50 for a man aged 50 next birthday, for £12,000 per annum benefit. Women would pay £32.54. Single premiums are possible. A 70-year-old could buy the same cover for a lump sum of £7,261.

While CU's policy is a considerable underwriting achievement, Hinton is sceptical. "At the beginning, it's terribly expensive. Someone pays out £50 a month on the off-chance he might have to go into a nursing home. There are probably other priorities for that money."

## Barber factor hits share schemes

'Non-discrimination' is spreading to new areas, reports David Cohen

**M**UCH INK has been spent analysing the impact of the Barber case on UK pension schemes, but this month's legislative response to this European Court decision seeks to eliminate sex discrimination in employee share schemes, not pensions.

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FINANCE AND THE FAMILY

# Hard sell in a buyers' market

Scheherazade Daneshkhu does not want an endowment mortgage, but the lenders aren't convinced...

**A**FTER 16 months hunting for a flat in a "buyers' market", I am now starting a second search - for a suitable mortgage.

There is no shortage of potential lenders. The difficulty is rather that they offer such a variety of products, and a great deal of advice - some of it far from helpful.

I have some cash and need to borrow only £40,000. I called James Higgins, of the fee-based financial advisers Chamberlain de Broe, to ask what sort of mortgage to take out. "It depends on the character of the individual," he said. "The onus is on the lender to decide how astute the borrower is and advise accordingly."

This seemed a little enigmatic. However, my main concern is the type of mortgage I should take out. There are two broad categories - the repayment mortgage with interest and capital payments spread over the term of the mortgage, and mortgages which are tied to a long-term savings policy.

More than 80 per cent of borrowers have endowment mortgages. The savings is in the form of a life assurance policy which eventually pays off the original loan.

You pay monthly interest on the loan and premium payments to the life assurance company which invests them.

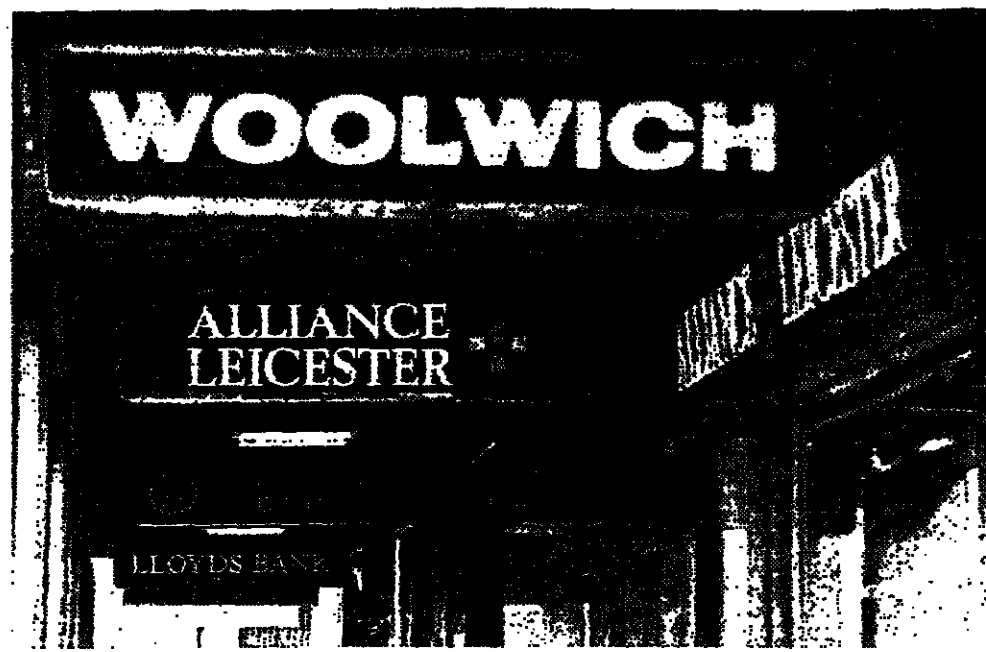
At the end of the term of the mortgage, the amount invested should be enough to pay off the loan. Anything left over will be given to you in a lump sum tax-free.

Higgins said: "We are not desperately keen on endowment mortgages. Insurance schemes are not that good a savings vehicle. Their only merit is that they are a disciplined form of savings."

I have already decided that I do not want an endowment mortgage. I am determined to pay off my mortgage as quickly as possible. But if I were to cash in my endowment much before seven years, the costs would be greater than the savings, because of the high commissions on these policies - an important reason for their hearty recommendation by mortgage lenders. I could pay off the mortgage and keep the endowment policy going. But then I would then be tied to a savings policy which I might no longer want.

I would rather take out a repayment mortgage and choose my own savings policy. So I called Britain's largest lender, the Halifax. The large lenders all offer the same interest rate of 11.95 per cent. As a first-time buyer, I can get a discount of 1.5 per cent off the basic rate for a year.

Having explained my circumstances, I asked which



would be better for me - repayment or endowment? "We are tied to Standard Life and have no hesitation in recommending an endowment," said the adviser. "But we wouldn't recommend an endowment if you were going to cash it in early."

The Woolwich is offering an identical rate for first time buyers. But the discount is

available only on an endowment mortgage - which I do not want! The Woolwich adviser was keen to tell me that I did want it, running through all the arguments and appearing to think that she would chuck it by repeating "an endowment policy is more of a reality."

The Nationwide Anglia offers a larger first-time discount, at 2 per cent, but again it is tied to an endowment policy. The adviser was less persistent - "It's your choice."

I called the Abbey National, which has a 1.5 per cent discount for first time buyers. Like the Halifax, it is not tied to an endowment. The rate is held to January 1993. The endowment mortgage was still recommended, but the adviser

**I**MAGINE having your £100,000 mortgage called in because your lender had gone broke. It sounds like an impossible nightmare but is it?

The nightmare came closer this week with the news that National Home Loans, the one-time star of the mortgage industry, had been given a £200m cash lifeline by the banks to help it survive a possible flight of local authority funds.

Until recently, most UK mortgages came either from building societies or large banks. These are strictly supervised institutions - if a bank or building society gets into difficulties, its peers can be relied on to rally round under the supervision of the Bank of England or the Building Societies Commission.

But about 15 per cent of the mortgage market at the end of the 1980s came from the "centralised lenders", the specialist mortgage companies set up over the last decade. How different is your position if you have a mortgage from one of these?

Several of the new lenders have burnt their fingers since the end of the housing boom. Almost all are solely dependent on the mortgage market and when it turned down, so did their income - and their profits in most cases.

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of these organisations and others like them? To put it briefly, if your lender decides to withdraw from the market, you could face unattractive interest rates and poor administration, but there is almost no chance that your loan could be called in early.

Once a lender stops selling new mortgages, it has no incentive to keep its rates low to attract new customers. If it wants to run down its loan book rapidly, higher than average rates are one way of hitting to existing customers that the time has come to say goodbye.

CIBC, Canadian Imperial Bank of Commerce, has a rate of 12.5 per cent at the moment but says it is reviewing the situation. It was one of the biggest lenders but has now stopped new lending. Most of the market has already announced a cut in rates to 11.95 per cent.

It is worth noting that the new lenders in general, even the healthiest ones, have been slower than the banks or building societies to cut their rates during this year.

How about the doomsday situation of being asked to repay your mortgage before its life is up? There seem to be no known cases of this happening, but you need to scan the small print of your mortgage contract to see whether it can.

You may well find that there is a general power in your mortgage deeds allowing the lender to require repayment after a term of notice such as six months, even if you have fulfilled your side of the agreement and kept up the monthly payments.

This is not necessarily the case. Abbey National, the second largest UK lender, says indignantly that there is no such clause in its con-

tracts. "There is a big difference between term loans such as mortgages, which must run their full agreed life, and demand loans such as overdrafts which can be called in at any time," says Yasemin Enver of Abbey National. "We don't have any early repayment clauses in our mortgage contracts."

This is by no means true of all lenders. The best way to find out whether there is such a clause or not in your contract is to ask your lender.

Even where such powers exist, it is most unlikely that they would ever be invoked. A distressed lender would almost certainly find a way of transferring its mortgages to a stronger institution.

If you have any doubts about your lender's strength or ability to go on offering you good service and a competitive rate, perhaps now - while interest rates are low - is the time to start thinking about remortgaging to a different part of the market.

David Barchard

## Trusts that fail to excite

**T**HE NEW types of authorised unit trusts that, on July 15, he set up in the UK have failed to excite much interest among fund managers.

The Securities and Investments Board has received only two applications from managers to set up property funds, and none at all for futures and options or warrant funds.

Prudential Holborn looks like being first on the market with a geared futures and options fund (GFOF), potentially the most risky new trust.

Smaller futures firms may find it difficult to find a trustee to stand behind the fund. Few of Britain's 14 registered trustees for unit trusts, which make sure that the fund manager is operating responsibly, have experience of futures and options. They are worried they could be liable for losses if a fund got into trouble.

Even Prudential Holborn, which aims to launch its first geared fund in October, has

## Diary of a Private Investor/Kevin Goldstein-Jackson

### How I lost a packet

**M**y pension is "portable". I am its only member. My retirement date is some time away, so the scheme can invest for the long term and take some "risky" decisions in the hope of spectacular gains. However, one of those decisions has proved more risky than I had anticipated.

In March the scheme bought 1,500 shares, at 300p each, in the investment trust Gresham House. At that time, according to the County NatWest Wood Mackenzie figures published in the *Financial Times*, the shares were standing at a discount of more than 60 per cent to net asset value, seeming to indicate that each share costing 300p was backed by assets worth 751p.

Surely it would not be long before the share price rose. Or perhaps the company had been taken over for a takeover target.

The shares drifted slowly downwards until July 1 when they dropped from 225p to 75p in one awful day as a reaction to the company's announcement on June 28 that it had suffered an 82 per cent fall in its net asset value and would not be paying a final dividend.

How had this happened?

The Gresham House report for the year ended December 31 1989 reported profits up from £487,000 to £653,000. Net assets per share increased from 715p to 737p. Equitable Life was reported as having a 3.29 per cent interest in the company, while Friends Provident held 4.72 per cent. Gresham House listed five directors: three were qualified accountants, one was a chartered surveyor, another was a qualified solicitor. Surely all signs of "soundness"?

However, that report also listed an investment in Polly Peck with a market value at the end of 1989 of £383,000 - but surely Gresham House would not keep that while storm clouds gathered?

In the company's interim statement, dated October 31 1990, A P Stirling, the chairman, said net asset value, which had been at 737p at the beginning of 1990, had fallen to 696p six months later. The chairman added: "Shareholders will be aware of the sharp deterioration of investment values in recent months and at the time of writing we estimate that the net asset value has further declined by approximately 70p per share."

Even if the Polly Peck shareholding had not been sold, it would have taken quite a few

disasters to reduce the net asset value of the company to less than the 300p per share I had paid in March.

Even if the company's investment in Omnitel (with a £1.9m market value at the end of 1989) had also not been reduced or sold prior to Omnitel's share suspension earlier this year, surely some of the other investments must have done better, if only to account for the County figure of 751p for net assets per share.

It would seem that not only did Gresham House have to write down its investments in a number of unquoted companies, it also had to write down the value of its property.

Gresham House shares now stand at less than 50p. Perhaps the company will attract the takeover predator I had hoped for when the shares were 300p. Fortunately, my pension fund's investment in Gresham House represented only a small proportion of its assets, so I will not have to defer my retirement age to 120. Overall, my fund has still made money from investment trusts - largely because of my January 1989 purchase of Scottish National Trust capital shares for 26p each. I sold a lot for 49p each in May this year.

My fund generally invests directly in companies. But trusts are useful in providing a wider spread of investment, and I am particularly attracted to those which provide access to investment in smaller and unquoted companies - a few of which might be the stock market stars of the late 1990s.

It is easy to get carried away by investment trust advertising, especially as many trusts have given excellent returns to their investors for relatively low charges. But there are a number of trusts whose performance has been pathetic, managing to lose more than 40 per cent of their investors' money in one year and whose longer term record is hardly inspiring.

As Gresham House and a number of other trusts show, a spread of investments only provides safety if the majority of them are in sound companies with positive growth potential.

While investment trust management fees are usually between 0.25 per cent and 1 per cent of assets managed, compared with a typical unit trust annual management fee of 1.5 per cent, there are some investment trusts where the management company takes 2 per cent of the total gross assets every year plus approved expenses.

As with all investments, it is safer to look before you leap. And, as with the case of the reported March net asset value for Gresham House: do not believe all you see!

## The Week Ahead

**A**FTER encouraging results this week from Lloyds Bank, Abbey National, Barclays, and Midland announce their results next week. Abbey National's results, due on Wednesday, are expected to be just over £300m, up from £280m a year ago.

Abbey National has been much less severely affected by the depression than the large clearing banks as it has no corporate lending. As a result it should show an actual increase in profits, though it now looks unlikely to beat the £33m pre-tax profits reported by Lloyds on Friday.

Elsewhere the analysts are forecasting heavy falls in profits. The question in the light of Lloyds' results is whether these will turn out to be as steep as expected.

Barclays, which reports on Thursday, turned in pre-tax profits of £62m a year ago but analysts forecast this will be slashed to less than £300m this time around.

With Midland, the interest is mainly on whether or not it stays in the black - and what plans its new chairman and chief executive have for it. If its bad debts experience is beginning to improve, in line with Lloyds, then it may be able to cheer the market by avoiding the small loss which analysts are forecasting.

SmithKline Beecham's results for the six months to June are likely to show that it is still deriving benefits from the merger - of Britain's Beecham and SmithKline Beecham in the US - which created the company two years ago.

Analysts are forecasting pre-tax profits of \$48m, a rise of 18 per cent, with progress coming from a combination of cost savings and growth in the company's range of drugs, led by Augmentin, the antibiotic. They are optimistic that earnings growth will be sustained at between 14 to 16 per cent a year.

## COMPANY NEWS SUMMARY

### TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share	Market price	Price before bid	Value of bid	Stakeholder
API	112	118	97	23.43	NMC
Ambassador sec.	45	46	35	10.57	St. Nicholas Inc.
Dery Corp	85	86	82	114.02	Truvelar House
Elam	155	181	180	87.2	Oceanic Inv. Corp
Food Ind.	148.5	142	135	155.55	Greencore
Goring Kerr	198	198	189	7.35	Cambridge IS Ltd
Goring Kerr	205	198	198	7.61	Thermo Electron
Guinness Mahon	45	45	30	10.85	St. of Volcanos
Kingsgrange	31	31	25	9.57	Market 974
Kingsgrange	33	31	29	10.57	Dunhill
Macarthy	225	251	183	62.22	Granplan Hldgs.
Macarthy	255	251	232	62.41	Unichem
Macarthy	58	58	58	21.11	Cooper (Alan)
Macarthy	45	56	43	90.87	BlackData Syst.
SD-Scicon	105	101	101	5.83	Escent Gap
Synapse Comp.	288	281	203	28.12	Canal 48 Ltd
TACE	485	43	28	9.21	Hywood Williams
Thurper Borden	75	91	91	7.64	Venables/Sugar
Tottenham H'port	112	118	97	23.43	NMC

\*All cash offers. If cash alternative, 90% cash not already held. If non-cash, based on 2.50p price. 28/7/91. 14% supervision. 55% shares and cash. For 48.5% + 50p now + 45p if conversion of Ocean Emerald rig into an oil platform is completed. For 13.3% outstanding.

### PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (000s)	Earnings per share (p)	Dividends per share (p)
AIM Group	Apr	2,200	(2.480)	11.0 (10.8)
AB Consultants	Apr	1,140	(2.470)	9.5 (20.7)
Banks (Midway C)	Apr	2,210	(2.180)	20.2 (20.1)
Beaverco	Mar	430	(177.1)	3.2 (-)
Beapac	May	4,420	(3,910)	22.7 (19.4)
Black Arrow	Mar	1,870	(3,750)	3.01 (3.44)
Capitol	Mar	411	(837)	6.5 (15.7)
Douglas (Robert M)	Mar	11,100	(12,400)	51.8 (47.9)
Dudley Jenkins	Apr	340	(768)	3.83 (6.89)
Evo Group	Apr	4,110	(4,820)	29 (31.4)
Excelsior Group	Apr	4,140	(4,000)	6.2 (7.7)
First Spanish Inv.	May	329	(314)	0.8 (0.8)
Gibson Lyons Group	Mar	1,030	(1,482)	10.5 (14.0)
Globe New	Mar	673	(1,520)	10.97 (22.96)
Hidara	Mar	194	(322)	5.8 (8.0)
Independent Invest.	Jun	3,600	(33,203)	0.71 (0.25)
Incoinvest	Apr	3,010	(4,650)	21.9 (30.2)
Jessie Vert	Jun	187	(33)	0.19 (0.23)
KIRY Little	May	5,600	(11,100)	11.5 (23.5)
Miles	Mar	1,280	(816)	14.2 (10.3)
MTIE Group	May	2,570	(2,400)	5.12 (3.75)
Murray Smith Mkt.	Mar	25,900	(25,400)	24.8 (26.6)
Smith (David S)	Mar	3,120	(6,440)	6.57 (3.19)
Southern Property	Mar	6,300	(5,700)	94.0 (86.9)
Stockdale Holdings	Apr	3,020	(520.1)	3.02 (1.8)
Sutherland Holdings	Mar	830	(1,320)	8.02 (11.85)
Wentworth Int'l	Mar	1,210	(451)	1.7 (2.84)
Wood (SW)	Mar	55	(2,000)	0.7 (-)

### INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (000s)	Earnings per share (p)	Dividends per share (p)
Barclays Bank	Jun	26,000	(22,700)	8.5 (7.0)
Castle Bank	Jun	1,350	(980)	1.8 (1.9)
Castle Bank	Jun	621	(-)	(-)
Evode Group	Mar	3,000	(7,200)	1.78 (1.78)
Fleming Fleming	Jun	988	(583)	1.0 (1.0)
Geared Income II	Apr	975	(381)	1.5 (-)
Geared Income II	May	2,420	(2,300)	2.1 (1.77)
Hill & Smith	May	181	(175)	2.0 (2.0)
Holders Technology	Jun	507,000	(733,000)	21.0 (21.0)
LASMO	Jun	30,400	(42,500)	2.3 (2.2)
Lloyds Abbey Life	Jun	145,500	(152,500)	3.0 (3.0)
Lloyds Merchant Bank	Jun	3,700	(5,500)	3.0 (3.0)
LWT Holdings	Jun	9,780	(9,140)	1.86 (2.1)
MIR Group News	Jun	34,400	(-)	0.8 (-)
ML Laboratories	Mar	172	(30)	1.0 (-)
Owners Abroad	Apr	21,400	(10,400)	0.9075 (0.825)
Palm Mining	Jun	53	(87)	1.0 (-)
PAP	May	3,300	(5,800)	1.33 (1.25)
Radus	May	801	(1,380)	0.9 (0.9)
Reuters Holdings	Jun	170.1	(167,100)	4.7 (4.4)
St Andrew Trust	Jun	1,650	(1,050)	1.7 (2.5)
Stockdale American	Jun	7,750	(8,150)	2.02 (1.8)
Solactive Assets	Jun	1,690	(1,690)	2.0 (2.0)
Stirling Trust	Jun	1,580	(4,150)	2.0 (4.0)
Tace	May	938	(1,720)	0.8 (3.25)
Temple Bar Inv	Jun	4,170	(4,180)	4.5 (4.1)
Thompson USM Ltd	Jun	460	(587)	1.7 (-)
Titania Investment	Jun	1,600	(1,600)	1.7 (1.7)
Union Discount	Jun	7,280	(7,800)	11.5 (11.5)
UK Land	Mar	986	(1,720)	1.0 (-)

(Figures in parentheses are for the corresponding period.)  
\*Dividends are shown net of tax. All other figures are shown net of tax. L = loss. Net revenue after tax. Figures quoted in US dollars and cents. Dividend for first quarter. Net profit. Last year's profit figure for 12 months. Gross income.

### RIGHTS ISSUES

Beaverco is to raise £2.15m via a 4-for-5 rights issue at 50p.  
Blaze Industries is to raise £10.5m via a 2-for-7 rights issue at 47p.

### RESULTS DUE

Company	Announcement date	Last year	This year
FINAL DIVIDENDS		Int.	Final
Abbey National	Thursday	1.0	3.5
Aldrich Group	Monday	1.0	2.75
Dale Electrical Int'l	Thursday	2.0	3.1
Dynas (USA)	Monday	1.0	3.0
Fleming Enterprise Invest Ltd	Monday	1.0	2.8
Harland Simon Group	Tuesday	1.5	4.5
Jarvis Property Trust	Tuesday	1.0	2.12
Mahara UK Index Trust	Monday	1.0	1.25
Mariner-Sun Group	Monday	2.1	4.0
Merridown Wine	Monday	1.0	8.0
Prior	Monday	0.5	1.0
Ransom (William) & Son	Wednesday	0.52	1.0
Sheld Group	Monday	0.52	1.0
Third Mile Investment	Monday	1.5	1.5
TR Smaller Companies Inv Ltd	Monday	2.5	2.5
Ullstein	Friday	2.2	2.5
Victoria Carpets	Tuesday	4.2	4.2
YMA	Tuesday	1.65	3.35
INTERIM DIVIDENDS		Int.	Final
Abbey National	Wednesday	3.15	6.35
Aldrich Group	Wednesday	4.3	7.7
Allied Yarns Companies	Wednesday	4.3	7.7
Budgets	Thursday	8.15	12.0
Bullfinch	Monday	1.75	3.0
Cheltenham Group	Thursday	1.9	2.7
CIA Group	Thursday	1.0	2.2
Covis (T)	Wednesday	1.2	3.5
Fairway (London)	Friday	1.0	2.0
Forsyte & Colonial Enterprise	Friday	0.2	0.2
Gregg	Monday	4.8	9.0
Leicester & London Invest.	Wednesday	1.0	1.8
Life Sciences Int'l	Thursday	1.0	1.9
Midland Bank	Friday	7.4	1.7
St. Nicholas Properties	Wednesday	3.3	0.5
SmithKline Beecham	Wednesday	4.0	3.78
Sphere Investment Trust	Monday	0.94	0.94
Thorncliffe Asian Emerging Mkts.	Monday	6.5	0.5
TI Group	Thursday	6.5	13.0
Yorkshire Chemicals	Wednesday	4.5	9.0

\*Dividends are shown net of tax. All other figures are shown net of tax. L = loss. Net revenue after tax. Figures quoted in US dollars and cents. Dividend for first quarter. Net profit. Last year's profit figure for 12 months. Gross income.

## WALES

The FT proposes to publish this survey on 16 September, 1991.  
It will be of particular interest to the 130,000 directors and managers in the UK who read the FT. If you want to reach this important audience, call Clive Radford on 0272 252565. Fax 0272 252974 or write to him at Meridian House, Wapping Road, Bristol BS1 4RW.  
Data source: BMRC Business Survey 1990

## FT SURVEYS

All rates (except Guaranteed Income Bonds) are shown Gross.  
\* Gross Equivalent Rate. Fixed Rate Rate (All other rates are variable). OM = interest paid on authority. M = Net Rate. B = Best Source. Moneyfacts. The Monthly Guide to Investment and Mortgage Rates. Watcombe House, Staines, Northwick.



## FINANCE AND THE FAMILY

**DO NOT** feel insulted if you are a source of £100,000 windfall. It is a question of time before offering investment advice.

Before taking advice, you must consider your own circumstances. It might be most profitable to pay off your mortgage.

Barry Stillerman, of accountants *Sty Hayward*, lists four main factors to take into account: your attitude towards risk, the choices between income and growth, your needs for liquidity, and your age.

If you have enough income you may be considering ways of minimising inheritance tax.

Most risk givers. Government stocks have been trying to get rid of the "boring" from the "safe but" equation that usually describes them. They are certainly the obvious choice for risk-averse investors.

David Kauders, a Taunton-based independent financial adviser, believes that the stock market is high, making gilts a more attractive investment.

The yield from gilts is above inflation and is likely to remain so for the foreseeable future, he says. But he suggests diversifying by buying into US government stocks.

"We think the pound is too high. It is likely to fall, making gilts for the investor on the currency exchange."

One of his portfolios invested in this way in December 1990 showed a capital gain of 7 per cent over eight months. The initial cost of setting up such a portfolio is high - about £2,000, and there is a half-yearly charge based on value.

But the cost of buying gilts can be low - well under 1 per cent - especially through the National Savings Stock Register. Investors can also consider index-linked gilts, which give lower returns than other gilts.

## Windfalls

## Time to weigh the risk factor

A sum of £100,000 lets you cut your cloth according to temperament, reports Scheherazade Daneshkhu

but endure that inflation does not eat into their value. However, in the very long term, the performance of equities, standing at 100 for both gilts and equities in 1918 and adjusted for the cost of living stood at 474.8 at the end of 1989. The corresponding figure for gilts is 2.6.

**Riskier: Diverse Portfolio** If you invest in equities, your portfolio can be more diversified. Peter Smith, of *Ellis Martin*, suggests: £10,000 in a bank or building society; £10,000 in index-linked gilts; £10,000 in zero coupon preference shares (unless you are worried about the lack of income since these do not pay dividends); £20,000 in a with profits bond if the investor is a basic-rate taxpayer, otherwise a 10 year plan with an insurance company; £20,000 in the UK markets, some of it through a Personal Equity Plan; £30,000 in broadly-based international markets and £10,000 in the Far East.

Smith believes that investment trusts have been under-rated and are cost-effective, particularly in comparison with unit trusts. However, the differences in pricing structure make comparisons difficult.

The standard initial charge for investment in a unit trust is 5 to 7 per cent. The fee structure involves a spread between the purchase price of the units



(offer price) and the sale price (bid price); the average spread is about 7 per cent. You pay a further 1 to 1½ per cent annually (plus VAT) within the fund.

The cost of an investment trust comprises the commission to your broker or adviser and the dealing spread on the shares on the stock market. This can be low if the trust is traded frequently and if there

is a savings scheme. Smith highlights Foreign and Colonial's investment trust, which you can buy into with a monthly savings plan at a cost of 0.2 per cent. But investment trust shares which are not heavily traded will cost more.

**Risky - Enterprise Zones** Adventurous top rate taxpayers could invest in one of the run-down regions selected by the government for assistance.

Tax relief is the incentive: top rate taxpayers get a rebate of 40 per cent on the value of their investment for a 10 year period.

Enterprise Zone Trusts buy properties and split the investment into units. Investors can borrow to fund their investment and rental income is not taxed if the money is used to meet interest payments on the loan. Minimum investment is usually £5,000, with no maximum. Trusts aim for a yield of more than 7 per cent of the initial investment per year from rental income.

Only invest if you are convinced of the underlying soundness of the investment - not just for tax reasons.

**And finally: IHT** If you are in your 60s and have enough income, you may be thinking of leaving the £100,000 to your children. Stillerman suggests a good way of minimising IHT would be to take out a 10 year with profits endowment plan written in trust for your children. He suggests funding the policy with a gilt plan, as mentioned last week. Life companies are likely to suggest the more commission-incentive lifetime annuity.

Tax paid within the 10 year policy would be at the rate and the policy would mature tax-free. If the policy was written in trust for the children, the proceeds would be free from IHT (the annual premiums represent a gift for IHT purposes). So long as the premiums are covered by your annual exemption (£3,000 a year for each parent), the policy would fall outside your estate and therefore not be subject to IHT.

In addition to the annual exemption, you can make gifts out of income - however, these must be made regularly. For example, if your income after tax is £25,000 per annum, of which you spend £20,000, you could give your children the remaining £5,000 as a tax-free gift.

## Expatriates

## Offshore bond blow

IF YOU are one of the many expatriates who have invested in an Offshore Portfolio Bond (OPB), you are now on your own.

The life companies which issue these bonds have reluctantly accepted an interpretation of the law which means that you may face a larger tax bill than you expected.

Previously, the tax position of these bonds was more attractive. An OPB is a type of single premium investment bond which allows you to transfer a portfolio of stocks and shares, gilts and so on to an insurance company while retaining the right to decide how "your" investments - then technically part of the insurance company's life fund - are to be dealt with.

As for all types of insurance bonds, liability to tax arises under the "chargeable events" legislation. You can withdraw 5 per cent per annum of the sum originally invested (the premium allowance) without provoking an immediate tax liability.

However, if you take out more than 5 per cent a year, or draw down more than the value of the bond, you are subject to an immediate income tax charge. In addition, income tax liability is incurred when the bond is cashed, when the 5 per cent draw-downs are taken into account.

Top slicing relief - where the average annual gain achieved by the bond through-out its ownership is added to the holder's taxable income in the year of encashment - is applied. This can prevent basic rate taxpayers from paying higher rate tax on their bond gains.

For policies issued before November 18 1983, a credit is given as though basic rate tax had been paid. Policies issued subsequently attract basic and higher rates as appropriate, although that proportion of the gain made when the bondholder was non-resident is not taken into account. In no case is relief available for losses.

Unfortunately for OPBs - as distinct from non-personalised bonds - this was not to be the end of the matter. This favourable position has now been weakened for bondholders now resident in the UK or planning to return.

New anti-avoidance provisions, under the UK Income and Corporation Taxes Act, are held to say that where, as a result of an investment in an OPB, income arises to a non-resident insurance company, and any investor ordinarily resident in the UK can encash the policies or make withdrawals, the Inland Revenue may treat the income in the bond as though it had gone directly to the investor.

Early in 1990, the Inland Revenue approached various offshore life companies indicating that, in its opinion, the new anti-avoidance provisions applied to bonds - although not so as to charge the same item of income twice.

The clauses are reproduced in full in a brochure\* from the Association of International Life Offices.

This construction of the law, which strikes at the heart of OPBs' ability to defer tax for long periods, came as a shock. AILLO members had always

considered that the chargeable event legislation, drafted to govern UK taxation of life policies, represented the definitive rule on the subject. However, no-one apparently asked the Inland Revenue.

Some experts had long thought that such bonds were susceptible to the charge now applied. They are surprised only at the time the Inland Revenue has taken to get around to it.

Liability attaches only to income arising within the bond which the investor is treated as having received himself. The booklet contains a useful summary as to how this applies to various types of income.

While no relief is given for expenses incurred, credit is available both for UK and overseas taxes paid.

The charge does not extend to capital gains. However, since it is usually disadvantageous for gains to arise in bonds, as compared with direct investment, the point is, perhaps, less important than it

initially appears. In cases where the bond is subject to a trust naming beneficiaries other than the settlor and spouse, liability may arise if either of them can, during their joint lifetimes, receive any benefit, including the repayment of any loan. But even if both are excluded altogether, any beneficiaries ordinarily resident in the UK can be taxed on income arising in the bond if they receive any payment from it.

Importantly, the rulings will not apply if the individual shows in writing or otherwise "to the satisfaction of the Board" either that avoiding liability to UK taxation (of any kind) was not a purpose for which the bond was acquired or, alternatively, that its purchase was a bona fide commercial transaction not designed for the purpose of avoiding liability to UK tax.

The Revenue reserves the right to "look behind" transactions in order to make a judgment. Remember too that it is not open to you, privately, to conclude that your bond is covered by one of these exemptions and, consequently, that you need not mention it. The Board can hardly be "satisfied" in relation to circumstances of which it is unaware.

For most expatriate bondholders, any problems lie in the future and appropriate changes now might well prevent them from arising at all. AILLO says policyholders are advised to discuss the matter with their financial advisers.

Many may distance themselves from the bond structure altogether. Unfortunately, those who do may suffer surrender penalties which allow the insurance companies to recoup commissions, paid at the outset, to intermediaries. If you purchased bonds after the Inland Revenue's attack began you may feel that for these advisers to continue to profit from your misfortune would add insult to injury.

\*UK Anti-Avoidance Provisions and their effect on Offshore Personalised Bonds is available from: The Association of International Life Offices, c/o Royal Life Insurance International, Royal Court, Castletown, Isle of Man, (G3.50, cheques payable to AILLO).

Donald Elkin is a director of *Wilfred T Fry* of Worthing.

## Water shares deadline

NEXT Tuesday, July 30, is the deadline for paying the final instalment on shares in the ten privatised water companies. Payment must be received by 3.00 pm. By the end of last week, 62.5 per cent of the 1.1m shareholdings in the Water PLCs had still not been fully paid, according to Schroders, the merchant bank which organised the flotation.

If you hold shares in these companies you should have received a payment notice, on July 15. If you have not, phone the relevant helpline.

The chance to sell your shares "part-paid" without paying the final instalment has now gone. Since July 15, prices quoted on the Stock Exchange have been on a fully paid basis, and you must pay the final instalment even if you sell.

How much you pay depends on the incentives you applied for at the time of privatisation. Shareholders with a customer discount pay 50p per share, others pay 70p. If you applied for a customer share bonus, you need to hold on until December 31, next year, when you will receive one free share for every ten.

Definitive share certificates should be sent within 14 days of the cheque clearing.

The registrars for the ten companies are as follows:

■ **Lloyds Bank** handles shares in Anglian, Northumbrian, North West, Severn Trent, Southern and South West.

The address is: Registrar's Department, PO Box 1985, 54 Pershore Road South, Kings Norton, Birmingham B30 3ET. The Helpline number is 021-438-4466.

■ **National Westminster Bank** handles enquiries for the other four (Thames, Welsh, Wessex and Yorkshire). The address is: Registrar's Department, PO Box 683, Hartcliffe Way, Hartcliffe, Bristol BS99 1XU (Helpline tel: 0272-358866).

John Authers

## Pursuit of an ex-wife

IN JULY 1990, at a hearing for ancillary relief, a court awarded my wife a certain cash break settlement. I am an external member of Lloyd's and at the time I knew that I would be involved in substantial losses for the 1988 Lloyd's underwriting year. However, I was unable to provide any concrete proof owing to the timing of the Lloyd's accounting periods. The matter was, therefore, ignored.

I would like to know whether it would be possible to take action against my ex-wife for a refund of some of the monies paid to her, due to the fact that my asset position as at July 1990 was not accurately assessed, owing to the omission of my liabilities.

I can of course now prove my loss for the 1988 underwriting year, although the loss for 1989 cannot be confirmed for some time.

■ The circumstances which you describe do not warrant an application to re-open the proceedings which were resolved a year ago. The possibility of your assets being greater or less than was apparent in July 1990 must have been an inherent element in the assessment which was made of your assets at that time.

**Why bank offshore?** I NOTE that the *Weekend FT* publishes the best UK and offshore building society rates. As these are usually very similar, with offshore rates being marginally higher, what benefit can a UK taxpayer or non-taxpayer, now that such people can get offshore interest paid gross, get from going offshore?

Is it that offshore accounts roll in gross with no UK tax liability until the interest is brought home? If so, this would obviously be better for a long term saver than paying tax on the interest every year.

UK banks and building societies automatically report interest over certain levels to

the Inland Revenue. Are the offshore subsidiaries and/or branches of UK banks and building societies bound by the same rules, and if not would they volunteer similar information to the Inland Revenue on request?

■ Offshore accounts are attractive to people who have insufficient (or no) other income not taxed at source to absorb their personal allowances. For example, someone whose total income for the current tax year will be a little higher than their personal allowance may well be better off with a slightly lower gross income not taxed at source, rather than making an interest free loan to the government of a quarter of their income until some time in 1992-93.

The answer to your second question is no, except for people who are not domiciled in any of the countries of the UK, or (for Irish and Commonwealth citizens, and other nationals protected by a non-discrimination article in a double taxation agreement) who are not ordinarily resident in the UK despite being domiciled in one of its three constituent countries.

The answer to your third question is no, to both parts. Some countries authorities cooperate to prevent tax evasion, of course, in accordance with double taxation agreements (or in accordance with the arrangements within the European Community). We are interpreting the word "Offshore" to mean simply "outside the UK".

Where's my cheque! I APPLIED for 1,500 shares in the recent power generating companies share issue and was expecting some 800 shares in total and a refund cheque for £1,200.

When these did not arrive after some weeks I telephoned Lloyds Bank and was advised

to wait a further one or two weeks to see if they turned up. This I did, and when they still failed to arrive I sent Lloyd's a handwritten letter informing them of the fact. They then responded with a letter asking me to sign indemnity forms and make further payments for lost certificates, to which I responded that they were not lost but had never been received, and asked them to reconsider.

I then received a further letter stating that the refund cheque had been cashed in Swindon and enclosing a copy of it. I responded, stating that I had never been to Swindon and felt that I could prove I had been in my office all day. I also pointed out that in all previous correspondence my reference number was different to the refund cheque reference number. I then received another letter informing me that all documents, as stated in the attached prospectus, were sent at my own risk, which to me suggests that the documents were in fact sent to the wrong address.

They are now advising me to go to the police. I had in fact already done so, and was told that it was between me and Lloyd's bank. Surely if Lloyd's sent the shares and refund cheque to the wrong address the bank has a duty to take action without seeming to hide behind general clauses?

■ There is an obvious difficulty in your way. It comes in the shape of the provision in paragraph 20 of the prospectus placing the risk on you. However, it is arguable that the provision has to be construed in the context of the whole of paragraph 20, and that where the documents and cheque are sent to an address other than that shown on the application form the exclusion of the bank's liability does not apply.

Fortunately the wrong reference number on the cheque raises the inference that the cheque was indeed sent to the wrong address. You should therefore pursue your claim, if necessary requiring the bank to disclose the address to which the refund cheque reference number relates.

It is likely that the Banking Ombudsman will view this function of the bank as being outside his jurisdiction, in which case you would have to pursue the claim in the County Court.

**Offsetting fees** I UNDERSTAND that companies can charge their accountancy fees against their tax liability. Does this also apply to individuals?

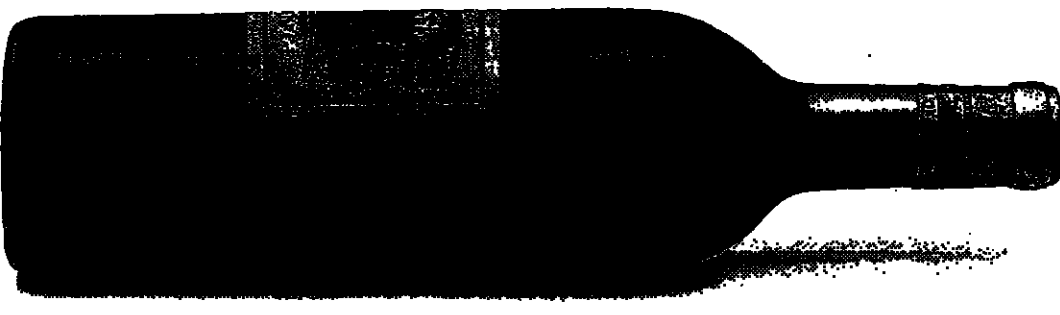
■ The answer depends upon the nature of the income (or capital gains) to which the accountancy services relate. Broadly speaking the answers are as follows:

Schedule A - Yes; Schedule D: Cases I and II - Yes; Cases III and IV - No; Cases V and VI - Yes for some types of income; Schedule E - No; Schedule F - No; Capital gains tax - Yes, under section 32(3) of the CGT Act 1979.

## Q&amp;A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post or e-mail as possible.



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\*Source - Berry Bros. & Rudd Limited. List price of a first growth champagne bottled direct of 1955 vintage in 1961 and 1991.  
\*\*Source - Micropal. Based on £5,000 invested in The Scottish Eastern Investment Trust plc and a higher rate building society account on 1 July 1981 with income re-invested.

HUNTERPRINT had a refinancing and management change in December, led by Sir Ian MacGregor. The new board invested a substantial amount in the company at this time and to a small extent have topped it up further. The price has risen by 60 per cent since the original investment, with Michael Hunter, the former chairman, reducing his holding somewhat.

The rise of 60 per cent since the beginning of the year in the share price of Abbot Mead Vickers, the advertising company, has been followed by three directors selling with the stock being bought by a subsidiary of Omnicom, a substantial US advertising company, which now owns 27.1 per cent.

M.Y. Holdings, the small packaging group, is 88 per cent owned by Tawneydown, with the executive directors having almost no shares. The chairman, chief executive and finance directors have chosen this time to make a small investment in the shares of the company.

Richard Peskin, chairman and chief executive of the property company Great Portland Estates, is a persistent buyer of shares around this price, shown here once more increasing his holding.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)			
Company	Shares	Value	No of directors
<b>SALES</b>			
Abbot Mead Vickers	263,000	807	3
Allied Lyons	5,350	28	1
Allied Partnership	300,000	51	1
Barbican Estates	100,000	155	1
D T & Chinnocks	15,214	18	1
Govett Atlantic Inv	17,500	31	1
Grand Metropolitan	19,748	156	1
Hanson	791,733	1,636	1
Hunterprint	1,000,000	151	1
Istock Johnson	39,079	38	2
Marks & Spencer	164,015	446	3
Pittlington	120,000	181	1
RMC Group	60,000	121	4
Tate & Lyle	35,000	134	1
Whitman	2,500	11	1
<b>PURCHASES</b>			
Allied Partnership	300,000	51	1
Flextech	50,000	50	1
Gt Portland Estates	10,000	20	1
Hunterprint	80,500	19	4
M Y Holdings	60,000	20	3
Sun Life Corp	3,950	10	5
	4,557	48	2

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (\*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 15-18 July 1991.

Source: Directors Ltd, Edinburgh



## MINDING YOUR OWN BUSINESS

# The man who gives fashion a human form

David Spark goes underneath the arches in East London where William Graham plies his resinous trade as a mannequin maker

IN SHOP windows from London to Tokyo, clothes are displayed on fibreglass mannequins made in a back alley in Forest Gate, East London, by two Jamaican brothers, William and Wilburn Graham.

It all began eight years ago when William suffered both the breakdown of his marriage and a whiplash injury in a car accident. He left south-west London to start again further east. He realised, as he recovered, that "I could not take any more other people telling me what to do. I knew I had to tell myself what to do. I just decided I was going to do it, and I put my name in the Yellow Pages."

In 1984, he and a partner, Danny Jones, invested £20,000 in turning a rubbish-strewn railway arch beneath the North London Line into a workshop for Archway Mannequins where, amid grey dust and fibreglass torsos, he plies his resinous trade, next to an lley-fall of car repairers. When he arrived in London from Jamaica in 1959, he worked in a jam factory, then a wireworks, then a bakery

before getting into fibreglass at a works building racing cars for Graham Hill and other drivers. He built cars for disabled people and then, for 11 years, worked for a company in Mitcham, in Surrey, that made mannequins. At first he simply pressed the fibreglass into the moulds. But he went to night school to learn sculpture so he could make the plaster figures from which the moulds are made.

Archway Mannequins began slowly. "When you start in business, people wait to see how long you are going to stay in business. They won't give you credit for material. You have to pay money. Once you settle down, like three years, you start to take root."

Nevertheless, three years ago, Archway nearly ended. He got a lot of work from a Midlands company - "they were a breadwinner for me" - which failed to pay him for nine months and then went broke. "I lost everything. My accountant said: 'Do you want to go on?' I said: 'I will fight.' I had to remortgage my house."

He found new customers and his brother

Wilburn joined him. For the torso figures which are their main selling line they wax the inside of the mould and cover it with a gel which has to dry. They put in resin, then brush in a layer of fibreglass. The two halves of the figure are joined and any holes filled in. It is a long process to get right.

Finally, the figures are trimmed, rubbed down and spray-painted; and, where necessary, an artist applies make-up.

Apart from the torsos, William makes full-length figures, child and baby models, dolphins (to display Rolex watches), dogs, and heads on which hairdressers can display their styles. If a customer wants a full-length figure with a different head, he moulds a different head. "You don't keep on with one thing. You change the idea."

He builds into the torsos different ways to hang them. Sometimes, he says, they make 30 models a week. He reckons that, in all, he has made over 1,000.

William says break even is £15,000 a year and turnover is around £30,000. How does he compete against larger companies?



Moulding a business: William Graham, managing director of Archway Mannequins, works on his fibreglass models

"If you do a good job and satisfy a company, they come back to you. And if other people see what you have done, they say to the company: 'Can you give me the

phone number?" "And I work reasonably. A big firm will charge £400-£500 for a full-length figure because they have high overheads. I will

do it for £200. So people come to me because I'm cheaper." ■ Archway Mannequins, Arch 432, Avenue Rd London E7 0LB. 081-519-5262.

## A little local airline with big plans

WHAT DO business air travellers have in common? A dislike of all the inconveniences of travelling. For the past four years, it has been ex-fight instructor Roy Suckling's aim to eliminate as many of the discomforts as possible for Cambridge businessmen, destination Manchester and Amsterdam.

Roy, 42, identified a need for a scheduled service from East Anglia while he was running an executive charter business from Ipswich. In 1986, he applied to the CAA for two routes: Manchester, because there was no direct service, and Amsterdam, his most frequently requested charter destination. He designed his service around the business traveller "who doesn't enjoy it and wants to get there and back as quickly as possible with minimum inconvenience in reasonable comfort."

Buying a new aeroplane for this sort of clientele was the first hurdle. "Our target customers rightly expect a certain level of comfort."

Suckling chose the compact but surprisingly comfortable 17-seat Dornier 228, launched by the Daimler-Benz-owned German company in 1984 - and became the aeroplane's first UK customer. The aeroplane cost £2.67m, a sum that is impossible to borrow without a financial record, so for the first six months Dornier itself funded the deal and then it was turned into a sterling lease purchase. In 1988, Suckling renegotiated the loan

and transferred it into a 10-year Deutsche bank operating lease. This held several attractions: the asset does not appear on Suckling's balance sheet, and German interest rates are more competitive. Foreign income earnings - about 40 per cent of Suckling's international passengers fly from the Netherlands - can also be used to offset against the lease.

"We are paying only 62 per cent of what we were paying before, but without exposing ourselves to any extra risk," says Suckling.

The fixed costs of running an airline are high - although the attraction is the swift profits climb after the company has broken even. Dornier's advice to potential customers for aeroplanes of this size is that a minimum of £500,000 is needed to bring a route into profitability. Roy and his wife Marilyn, who own the company 50-50 between them, raised £375,000 of their own, from bank loans secured against their two properties coupled with money made from Roy's executive charter company. They added a £450,000 three-year grant; one of 15 made available to independent airlines by British Airways when it was privatised.

The key to profitability is the right com-

bination of aircraft utilisation and yield. The aeroplane fits in eight flights a day, five days a week. Roy estimates that break-even is reached if each flight is 45 per cent full. But this can vary from month to month, depending on yield and maintenance costs.

"If we've got an engine overhaul to do, that costs £70,000 to £80,000," he reckons. He is doing well if the daily average is 60 per cent - around 82 passengers. "With

chester, £105 one way to Amsterdam. There is a Manchester standby fare of £53, after 4pm the previous day, and a £106 return Superjet flight to Amsterdam, to include a Saturday night."

Roy believes in the maxim "You must identify your market and stick to it." He has steered clear of night freight flights: "Flarely competitive - very low yield."

He does offer weekend charters to use the aeroplane more. "We are well-placed for

the Newmarket racing fraternity." Charter hire starts at £500 per hour.

With only one aircraft it is not too difficult to maintain tight control on direct costs. The 14 staff, two teams of reservation clerks and crew, who work morning and afternoon shifts, plus administration and maintenance staff, are happy to double up on jobs. Additional costs per passenger - mainly food and airport - are £7 to £8 a head. Fuel represents only 7 per cent of the flight costs - the Dornier

228 is one of the most energy-efficient aeroplanes on the market, says Roy. "We haven't been nearly so badly affected by the fuel prices rise as some companies."

The Sucklings have found a personal, direct approach the most effective way of promoting the company - whether talking to travel agents (who handle a large proportion of bookings) or direct to companies. "We once spent £4,000 on an ad in the *Manchester Evening News* only to discover a lot of the copies were used to wrap fish and chips," says Roy. Marilyn scours the local newspapers for news of new businesses and a couple of lunchtime sessions, which include a 10-minute flight, have gone down well with the PAs and secretaries responsible for their bosses' travel arrangements.

One Cambridge company opened a Manchester office because Suckling offered such good communications. Another, reluctantly agreeing to give Suckling a try after a year's prompting, was so impressed at the prompt chartering of a second aeroplane when the Dornier developed a fault that it has been a regular ever since.

"It takes three years to build a route to maturity," says Roy. "It takes time for people to change their travelling habits."

In 1990, the airline carried 17,777 passengers, 38.4 per cent more than in 1989. Gross revenues and turnover (£1.5m) were proportionately higher. The combination of the recession and the Gulf War made the start of 1991 one of the worst in commercial aviation for 20 years. Suckling's passenger numbers were down 14 to 18 per cent, but are recovering.

"We have had to increase our fares to maintain our yields," says Roy. "We also had a hard look at our costs but we couldn't make any huge savings there, since we were already running a tight ship."

The Sucklings are not in the least daunted by the expansion and new international status of nearby Stansted Airport. "Free car parking, right outside the departure/arrivals hall, 15-minute check-in and a 10-minute turn-around before the plane takes off again will always remain attractive selling points of our service," says Roy.

Plans include increasing the number of flights - "the key to service is frequency" - as well as a new service between London City Airport and Manchester, on another Dornier 228. The recessions has slowed these plans for the moment but, Roy is adamant, "They will happen."

■ Suckling Airways, Cambridge Airport, Newmarket Road, Cambridge CB5 8RX. 02265-3767. For reservations: 0473-729091.

Suckling Airways grew by focusing on one type of passenger, writes Jessica Alexander

business customers, you'll never even reach 90 per cent."

The full-fare paying business passenger offers the highest potential yield and the trick is to maximise this. This means that Suckling can earn more revenue from fewer flights in December than in August, when more travellers are exploiting cheap fares. It also only operates a scheduled service Monday to Friday, as weekend flights tend to all be at cheap rates.

Suckling charges £81 each way to Man-

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### Computing/David Carter

## Cheap, but good

WHAT IS the difference between an expensive software package and a cheap one? In most markets, cheapness implies lower quality. Cheap products wear out faster or break down more often. However, neither of these considerations applies to software. Once a package is written and tested it will go on for ever. Like a compact disk, it never degrades.

When it comes to the price of software, the market sets *functionality* as the main criterion. The more features it offers, the more things it can do, the higher the price a package can command. Hence the "feature wars" of recent years when software suppliers strove to load their packages with more and more functions.

But Pareto's 80/20 law - that any group is made up of the important few and the unimportant many - applies to software with a vengeance. The classic case is spreadsheets. Microsoft's Excel boasts 144 mathematical functions, but Microsoft's research shows that most users only use one - the SUM command, which adds numbers. The one function is more important than all the other 143 put together. And every spreadsheet package has the SUM command.

Most users simply want to do the basics and barely touch the full potential of their packages. Packages which just do the basics have the advantage of being both cheaper than professional "power" packages and also much easier to learn. So why do the expensive, powerful packages predominate?

Obviously the software companies make more profit on the more expensive packages, and bigger more powerful software packages demand bigger more powerful machines to run them, encouraging users to go out and buy more kit. And the buyers are willing to pay.

The chief purchasers of software are big organisations in the corporate market. They tend to go for the big-name, top of the range packages regardless of price. In part because they buy in volume and can demand discounts, but also because they are uncertain about the PC market place.

Information Technology directors tend to be men in their 40s and 50s who spent their formative years working on mainframes and minicomputers. But all they ever get asked about is PCs and they know little about them. With hardware there is a saying that "No-one ever got fired for buying IBM", so with software corporations play safe by going for the big-name packages, and

business executives who need to perform only simple tasks on their PCs end up with the equivalent of an Aston Martin to drive down to the local supermarket.

Individuals and small businesses often cannot afford these packages. This group makes up the budget market, prepared to forego the esoteric features of the Professional packages and take a cut-down Executive version which still gives them most of the functions they need - and probably the budget market is less developed in the UK than in the US, where £150 (£91) packages are the biggest sellers, but excellent budget packages from the main manufacturers are available even if they are not well publicised.

On the word processing front Letterperfect (£175) is almost identical to Wordperfect 5.1 (£495). Samma's much praised Ami (now owned by Lotus) is a Windows-based word processor that offers enough Desk Top Publishing features to satisfy most business users. The basic version is a bargain at £99, a fifth of the price of Ami Professional (£499). In the spreadsheet market Quattro Pro, and Ashton-Tate offers RapiFile database (£275) as a much more appropriate offering to the non-technical business user than dBase IV (£595). All these packages are cheap but they are top-quality products from top manufacturers.

be, however, the best value is to be found in the integrated packages, which combine the three main applications of word processing, spreadsheet and database.

In the corporate sector the big boys sing it out with Symphony (from Lotus, £595), Framework IV (Ashton-Tate, £550) and Microsoft's Windows-based "Office" package retailing at a "special bargain price" of £945. All three companies offer excellent cut-down versions.

Curiously, many are called "Works", in imitation of award-winning Microsoft Works, superb value at £145. Lotus offers Lotus Works (also £145), rebadged from Alpha Software but with a spreadsheet very similar to 1-2-3, and Ashton-Tate offers Framework XE (Executive Edition) at £195. Wordperfect Executive is another integrated package offering fine value (£199). If you want a GUI-based integrated package running under Windows 3.0, Spinnaker has released PFS Works for Windows, a bargain at £170.

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# Sasha's secret ski slope

"This was my 39th trip to Britain. I used to come over and drive thousands of miles. I'd cover the country for memorabilia and then I'd go back to the U.S. It's a hobby for me. I've held a real estate licence since I was 21 and I'm now 75. This is much more fun. I'm a fanatic at it. There are forgeries being made today. Quite a bit of stuff is being sold for nothing, but there's nothing new in that. Look at this."

He dug into a briefcase. After pulling out a cutting from *Golf Illustrated* of April 8, 1910, he began reading from an article about Tom Morris's shop. "The firm make a specialty of copying any of the famous putters and have already done so for golfers all over the world...apart from sentimental reasons they are indeed clubs worth having." They were at it then," said Olman. "No wonder they're at it now."

He took back and smiled mischievously, very much the amiable curmudgeon he likes to pretend he is and relishing his position as an elder statesman in the world of golfing memorabilia. "In 1925 there were 5m golfers in the world. If I'm right, there are 50m now. Then there must be 5m clubs out there. There are only 5,000 collectors so there is plenty of stuff around for everybody."

Their first problem has been land. "Under socialism, you can't just buy a mountain, you see," explained Ilya. "So we had to bribe the local state farm and tell them we were only really using their snow, not their land."

The next problem, though, was the question of equipment — something that called for typical ingenuity in an economy that does not yet produce a reliable supply of tractors,

It was difficult to reply. Most Western skiers, I knew, would have been as horrified as I had been by a three hour hike up the mountain. They would certainly demand more than a cold water pipe for their washing facilities. And they undoubtedly associated Soviet skiing with the more violent blood sports of the inter-ethnic or Islamic disputes than potential skiing holidays.

But anyway, I asked tactfully, would you really want to build a road or hotel up here? Even with perestroika, did he really want to destroy his little skiing kingdom?

Yuska looked relieved and perhaps another bottle of vodka. "Of course not," he replied. "So promise me you won't tell anyone else where we are in the Pamirs we are."

1910, he began reading from an article about Tom Morris's shop. "The firm make a specialty of copying any of these famous putters and have already done so for golfers all over the world...apart from sentimental reasons they are indeed clubs worth having." They were at it then," said Olman. "No wonder they're at it now."

He sat back and smiled sardoniously, very much amused. The curmudgeon he likes to pretend he is and relishing his position as an elder statesman in the world of golfing memorabilia. "In 1925 there were 5m golfers in the world. If each of them had signed his club with a name, there would be 5m clubs out there. There are only 5,000 collectors so there is plenty of stuff around for everybody."

## As they say in Europe

selves for uncle and nephew at a birthday party."

■ ■ ■

It seems that the providers of political ammunition in Britain are as well paid as are Nannenmacher's worthy colleagues back home. In the hullabaloo about huge pay increases for the British industrial elite, many *FT* readers have been wondering what journalists get. The *Paris daily, Liberation* has been finding out and the Fourth Estate in Britain emerges as among the best off.

It knowingly takes *The Guardian* as its yardstick for British journalistic pay. After all, if the egalitarian *Guardian* and its pay freeze is the standard, just imagine what the standard must be at less socially-conscious, more profitable enterprises.

Converting the figures into annual salaries in sterling, it emerges that the *Guardian* pays a staff member with ten years experience between £30,000 and £36,000.

*Liberation* writes: "These salaries are comparable with Germany, the home of powerful and prosperous enterprises."

In Milan, Barcelona and Madrid the hacks get around £29,000 a year, the Spaniards doing rather well well taking national average earnings into account, because of the heavy competition among the seven national dailies published in the two big cities. In France the best payer is *Le Monde* which offers no more than £22,000.

Seeing the way some of my continental colleagues live, I do not believe all these figures. *Liberation* admits there are tax breaks in France and Germany that are not available elsewhere.

But even so it is evident at press conferences that the cost of the common suit coats and Pierre Cardin ties are not British. And they are certainly not BBC employees, who are paid well below what is used to be called Fleet Street rates.

**James Morgan**

■ James Morgan is Economics Correspondent of the BBC World Service.

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## FOOD &amp; DRINK

# The thrilling chill of sherry in summer

Serve it properly and there are few better aperitifs, according to Edmund Penning-Rowsell

THE WORD *aperitif* derives from the Latin *aperire* - to open - and its purpose is to open the palate before a meal by a drink that stimulates the appetite. This is what dry sherry does particularly well.

Its chief rival, but scarcely in price, is *brut champagne*, but that is more of a "socialiser" - a drink that produces a certain bonhomie among its assembled consumers.

Champagne is a wine to be drunk in company, but a glass of chilled, dry fino sherry goes equally well before a solitary meal. Most of the other "made-up" commercial aperitifs are to a greater or lesser extent sweet or have so powerful an impact on the palate that they nearly destroy the flavour of any succeeding wine, whereas sherry, a natural wine, discreetly stimulates the tastebuds. Moreover, it provides a distinctive taste different from any white wine, modest or fine, that may follow.

Also, "real sherry", as the Spaniards call it, is a unique wine, as against the imitations - mainly from Cyprus and South Africa and the bastard "British sherry". To be good it has to be made with great care and matured for an extended period of at least five to six years. The minimum legal age for a fino is four years.

Although the basic table wine, made from the Palomino grape in the delimited area around Jerez in the extreme south of Spain, is cheap (about 15p a kilo required per bottle of sherry), from then onwards the production is expensive and labour-intensive: no fewer than 275 hand-operations, it is reckoned.

Basically there are only two main types of sherry - fino and oloroso - and, fermented fully, they are both completely dry. It is the latter that are sweetened, respectively by the Pedro Ximenez grape, that provide the medium and sweet sherries. A long-held myth is that it is pure chance whether a 500-litre butt turns out to be fino or oloroso, but modern technique results in a 90 per cent assurance either way. If fino, immediately after fermentation it is fortified from a natural 11.5° to 15.5° - up to 17°. The wine is then covered with a rather disagreeable-looking layer of white yeast mould - the *flor*. This prevents oxidation in a butt that is only four-fifths full. After a period, usually of months rather than years, the sherry is racked off into a series that together form the *criaderas* (nurseries) that precede the final stage, the *solera*.

In the cathedral-like bodegas, lofty to permit a free circulation of air in the torrid summers, the butts are piled three-high, with the *criaderas* on the top two layers, and the *solera* (ground), the final stage, on the floor. The number of *pre-solera* "scales", each representing an increasingly mature wine, may vary from five or six to a much greater number for the particularly light, fresh manzanillas. The youngest bears the largest number, while the oldest, *pre-solera* one is Number One.

The ageing process is provided by racking from one "scale" to the next, for which

## The language of the sherry world

Vino, Viñedo	vineyard
Pago	district
Copita	glass
Botas	butts
Dulce	sweet
Fino	good
Solera	nursery
Bodega	cellar
Vendimia	vintage
Criado y embotellado por	grown and bottled by
Elaborado y envejado por	made and aged by
Cosecha propia	made by the vineyard owner
5 Años	bottled in its fifth year

the antique-looking system of 16-litre jugs (*arrobas*) is employed rather than the pipes used in normal wine-making areas for racking from cask to cask. A peculiarity of sherry is that it is frequently exposed to the air, whereas with almost all other wines every effort is made to prevent spoilage by oxidation.

The amount that may be drawn off from scale to scale is strictly limited, with the result that the newly transferred wine takes over the style and quality of the sherry already in the next age level. The quantity drawn off from the *solera* may be for immediate bottling and sale or for stock, and this depends on the officially-

controlled proportion of a bodega's stock that may be sold each year.

Enormous quantities of wine may be involved in the maturing process of a bodega. Garvey's San Patricio, about 200 yards long and 115 ft high, contains 10,000 butts of its fino of that name.

The most elegant finos are the manzanillas, produced at Sanlúcar de Barrameda, near the mouth of the Guadalquivir river. The grapes from the vineyards of the Balbaina and Miraflores districts, known for their finos, are picked early in September, three weeks before the normal vintage opens nearer Jerez, and so contain more acidity. For this reason the larger Jerez houses maintain bodegas in Sanlúcar or in Puerto de Santa María, on the sea nearer Cadiz.

The combination of proximity to the sea and the milder micro-climate, protected from the hot Levante wind, gives a special quality, often described as salty, to manzanilla. As already mentioned many more scales are used here than in Jerez, and this contributes to the fresh crispness. There are also manzanilla and fino pasadas, delicious, older, fuller-bodied wines, but not my taste as aperitifs.

There is a welcome tendency for finos and manzanillas to be lower in alcohol than in the past. The volume of grape brandy in a butt is no more than 5 to 6 per cent - compared with 25 per cent for port.

Although Jerez is in difficulty with its sales, especially for the sweeter types, the finos are holding their own, while sales of manzanilla are actually increasing. One reason why dry sherry is often not appreciated is because it is frequently badly served. Fino is a fragile wine, and there is no more dreary drink than slightly warm, flat-flavoured sherry - common in pubs. It must be served well chilled and, as in Spain, if possible served with *tapas* - almonds or even potato crisps. In Jerez bars it is often served in half-bottles - just right for two people. More and more firms are bottling in half-bottles, and although a little more expensive they are to be recommended. Otherwise after opening a full bottle at once pour half into a clean half-bottle and cork firmly down, if possible with a tapered cork. Then drink the rest within a couple of weeks, keeping the bottle in the less cold part of the refrigerator.

Excellent finos and manzanillas cost between £4.50 and £5 a bottle, and with duty raised in the last Budget to £1.56 for a 75cl bottle they are a bargain for summer as "opening" drinks.



A good eye and a steady hand are pre-requisites of sherry tasting; this picture was taken in the Don Zola Bodega in Jerez

## Hemingway never ate here

IT TOOK 45 minutes for the most leisurely and loquacious members of the group to finish their first drinks. Then we all rose. "In Madrid," Jorge explained, "nobody stays in one place long." And we wandered around the Glorieta Bilbao searching for the next café.

In summer, in the relative cool of late evenings, the streets of central Madrid are packed. The people come out after dark. They move from bar to café to restaurant and back again, talking and slurping ice creams as they stroll.

Even in July, Madrid is largely free of foreign tourists. Those that there are stay in the old part of the city. The Chamberi round Glorieta Bilbao, largely free of historical or cultural interest, is popular with Madrileños. The younger generation are as susceptible as teenagers anywhere in Europe to the appeal of things American. Outside the 7 Eleven, open all night, youngsters pop the corks off cheap bottles of fizzy cider, on the corner opposite some buy ice creams at a branch of Baskin Robbins, but the real queues are a few yards up Calle de Luchana at Heladeria Italiana which includes in its flavours an ice cream made from a Spanish favourite, *arroz con leche*, rice pudding, a rich, lumpy ice cream flavoured with nutmeg.

The other popular area for wandering, eating, drinking is the old part of Madrid,

south and east of the Plaza Mayor. On the staircase in the south west corner of the Plaza one *meson* - or rustic restaurant - has a waiter dressed in traditional Spanish hunting dress touting for custom outside. Another carries on its awning the proud boast in English: "Ernest Hemingway never ate here."

Small, cobbled streets wind between ancient buildings. Deserted alleys suddenly give way to small quiet squares where the tables of neighbourhood cafés, bars and restaurants spread under the trees.

There is a variety of pavement establishments, varying from smart cafés to rough bars. There are trendy, noisy places - some almost discos for the young - and other, unassuming local eateries. Most serve beer, coffee and food.

*Tapas*, strictly-speaking free snacks which accompany drinks, rarely exist in Madrid. They are still common in Andalusia in the south. But in Madrid you pay for your *tapas*, which are either *píechos*, a small portion, or *raciones*, a larger one. It is possible to dine well on the snacks that

different bars offer.

At *La Vistillas*, an open-air restaurant on a terrace off Calle de Bailen looking across a small valley at the Royal Palace, we sat beneath the trees at tables covered with paper tablecloths and ordered several *raciones* of the house speciality of *pollo al ajillo*, chicken with garlic. It is prepared with typical Spanish simplicity. The chicken is broken into pieces and then

### Peter Berlin joins the eaters and drinkers who throng Madrid's tapas bars after dark

fried with a large number of cloves of garlic. The odour is intoxicating, the chicken, eaten with greasy fingers, is delicious - crispy, with the distinctive rough, farmyard flavour and texture of Spanish chicken, standing up well to the powerful taste of fried garlic - but the best comes last, dipping chunks of bread into the dish to mop up the spicy gravy. The *tortilla de patata* (Spanish omelette)

however provoked the usual disapproving discussion. Spain's national dish is, in the dry, fairly straightforward to prepare: first cook your potatoes, then fry them with eggs. The great golden wheels of omelette can be eaten warm or cold, as a main dish or cut into small squares. At *La Vistillas* there was some muttering that the potatoes had been boiled when they should have been fried, although a full-blown

debate on tortilla theory was forestalled by the arrival of another *ración* of *pollo*.

From *Vistillas* we strolled to Plaza Mayor where the prices and beggars - we were pestered by a silent hunchback, who gave us begging notes, and a surly young gipsy beating a tune from tin cans - deter many Spaniards.

Where the outdoor tables of several bars spread into a square you have to be care-

ful to identify the boundary lines. In Plaza Mayor we sat in front of an attractive bar under the porticoes, but when he had taken our orders our disconcerting waiter plunged into a side street to charge out again five minutes later balancing a laden tray, crashing heedless into tables and chairs without spilling a drop.

At least he was not rude. In one bar the first seven members of our group ordered *cañas* (glasses) of beer; the eighth asked for a *Jara* (mug or, sometimes, jug). "Why do you have to be different?" the waiter demanded. Spaniards simply ignore such explosions. They are not particularly fussed about waiters' manners and, in any case, rarely tip. The *Jara* duly arrived.

Such homogeneity is unusual, in the Plaza Mayor our tottering tray bore beer, coffee, gin and tonic and two Spanish specialties: *horchata de chufa* and *granizado de limón*. The lemon drink is a refreshing mix of squeezed lemons, crushed ice and sugar. *Horchata* is made from small pulped tubers - the *chufas* - mixed with water. It is pale brown liquid which tastes like flavoured, sweetened milk with a distinct

aftertaste of turnip.

From the quiet calm of the Plaza Mayor we moved to the throng on Calle Fernán-  
dez y Gonzalez and the rough charms of Viva Madrid; a bar with bare floorboards, decorated only with elaborate tiling and old black and white pictures of drinkers in the 1930s and 1940s. Here the choices are simple: beer or coffee or maybe a generous measure of coarse Spanish brandy. Knots of young Spaniards crowd around the old tables in its nooks and crannies.

Madrileños need little encouragement to reel off a list of their favourite *tapas* bars.

There is the old-fashioned Café Gijón opposite the national library on the Paseo de Recoletos, where waitcoated old waiters have long served famous writers - it is a haunt of Camilo Jose Cela, the Nobel-prize winning novelist. King Alfonso XIII would go to *Lhardy* by Puerta del Sol for an *aperitif* and pinches, until went into exile in 1931. It is known for its *croquetas*, as is *Jurucha*, on Calle Hermosilla.

Café de Oriente, across from the Royal Palace on Plaza Oriente, doubles as a school for waiters who serve snacks and meals to a crush of affluent trendies. Belaz on Claudio Coello is known, among other things, for its *píechos de roquefort*. For a wide variety of excellent *tapas*-type snacks there is *Carvezeria Santa Barbara* on Calle Alonso Martinez.

THE back door is almost snowed in, blocked by a drift of rose petals blown in the wind. I feel as church wardens and cleaners must feel after an over-confident wedding or one of those feast days on which a statue of the Blessed Virgin or some local saint is given an annual airing, released from its dusty candlelit niche to tour the parish, sailing shoulder high with hymn singing elders behind and little girls in front, linked into neat shape in their First Communion dresses, scattering rose petals in the processional path.

Some of my roses should be turned into rose petal jam, a romantic-sounding nonsense if ever there was one, but I confess I am a sucker for the bacchanal pleasures of eating it spooned over junket or coquer à la crème, or spread on biscuits or butter-milk scones, or rye bread and unsalted butter as they do in the Balkans.

Old roses also make magical ice creams. Near Amalfi in June I saw

## Perfect treats from the pick of the petals

Philippa Davenport takes a colourful culinary tour of the kitchen flower garden

huge plastic baskets of the laundromat sort piled high with shocking pink petals being carried through a head-curtain door into the kitchen of a gastronomic and later I sampled the elegant and refreshing not-too-creamy and not-too-sweet rose ice made from them.

Only old fashioned roses, with their velvety soft petals and syrup-rich swooning scent, are suitable for culinary purposes. Modern varieties, hard and perky pointed in bud, built to stand up to wind and rain when unfurled, are all show - devoid of perfume on the palate and insufficiently tender on the tongue.

Like roses, lavender is a fine candidate for ice cream and

sorbet-making, and a chilled spoonful of the basic lavender sugar syrup is a revelation tricked over a fruit salad of soft scarlet berries with watermelon, or a mixture of peaches, nectarines and figs.

Lavender assumes a savoury role as readily as sweet. Include it in bouquet garni for a heady whiff of Provence in dishes such as an olive oil and winey rabbit stew with wild mushrooms, wild thyme and the tiny boot button black olives of Nice.

Lavender heads crushed with the juice and zest of lime make a sensational flavour combination for marinating drumsticks and other chicken joints to sizzle on the barbecue or "grill" on a grid in a very hot oven. Add a soupcon of



honey to the mixture and the chicken skin will cook to a crackle and turn the colour of mahogany while the flesh inside stays juicy and succulent.

The brilliant colours and vivid peppery taste of nasturtium flowers are marvellous with rich meats like duck. Recently I have been pan-frying breast fillets and adding the juice of an orange to the pan afterwards, letting it bubble up and reduce by half.

Drawing the pan to one side, I then add the zest of the orange, some slivers of fennel and finely chopped spring onion.

After stirring just long enough to wilt and warm the ingredients, and seasoning with salt or soy, I mix in some freshly cooked fine ribbon noodles of green pasta. The duck breasts are laid on top for serving, left whole or fanned into slices, and the dish is edged with a blazing fringe of red and tawny gold

nasturtium flowers and segments of orange.

Nasturtiums are excellent for packing punch into a prawn salad that is a far cry from the limp and ubiquitous prawn cocktail. I include nasturtium leaves as well as blossoms, but not too many as they are the most peppery pungent of all creases.

Other ingredients that go into my mixture are bulb fennel and crushed fennel seeds or herb fennel, toasted walnuts, spring onions, apples (preferably red-skinned for the sake of their colour) and a little radicchio or red cabbage.

The ratio of prawns to other ingredients should be extravagant and the presentation should cause a splash. A massive scooped-out

marrow makes a handsome salad bowl. A watermelon shell is more dramatic still, the rosy hue of its lining adding to the glorious clash of pinks, orange, red and gold.

Similarly exhilarating to my eye and tastebuds is cold pink salmon served on a bed of cucumber slices, the cucumber completely hidden from sight by a multi-coloured riot of nasturtium flowers and leaves. For maximum impact I am tempted to add a few curry spices to the mayonnaise that accompanies it.

Another vibrant combination that has excited me this summer is a first course salad of juicily scented Josephine de Maline pears, sliced and interleaved with rounds of goat cheese croutons, cut paper-hoop thin.

Lay the pears and cheese on a bed of savoury rocket complete with its ravishing small flowers, and a few nasturtium flowers for good measure. With a trickle of olive oil poured over, this makes an explosion of tastes to rival the Italian favourite of rocket, radicchio and shavings of Parmesan cheese.

# Come on down under to Ozzbins this Saturday.

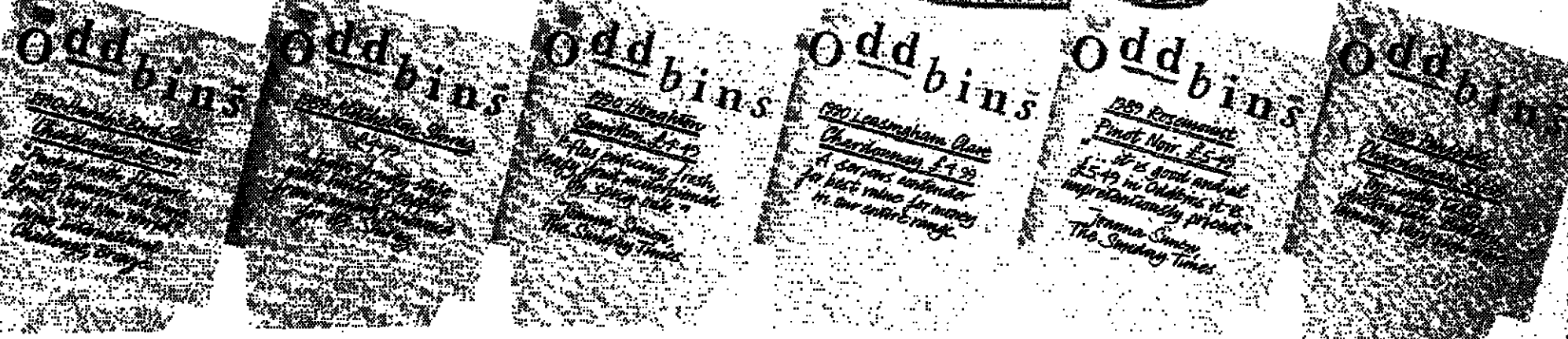
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## HOW TO SPEND IT



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## Chic numbers for the telephone set

**I**F CALLERS complain that you are talking through a long tube it is time to join the digital age and replace that old black bakelite dial phone with something thoroughly modern.

Prepare yourself for a Rip Van Winkle shopping experience. Nature might be losing its diversity, but telephone makers are working hard to keep choice alive. There are so many different types of telephones, in so many different colours, at so many different prices, offering so many different features, that it is difficult to know just what is the difference. What is more, there are four different phone systems – even Alexander Graham Bell would be confused.

Systems first. The traditional wire-in-the-ground system carries most calls in the UK and is run by British Telecom which, after its recent 250th corporate redesign, we have to call BT.

Mercury, BT's only competitor, also offers a service to domestic subscribers, but via BT lines. If you want to take advantage of Mercury's cheaper long-distance calls (information on 0800-424194), then you need to subscribe to Mercury (£3.51 a year) and your phone needs a special Mercury option button (see features below).

Both Mercury and BT offer itemised billing – every call, other than very short local calls, is listed with date, number and price. The system is excellent for keeping a track on what calls cost but, because bills arrive quarterly, it is difficult to claw back the cost of long-distance calls from short-term guests.

The Star service from BT – also only available on modern exchanges – costs a little extra but does offer a cure for guests who take advantage of your phone. It enables you to bar them, or charge them. You have to have a time-generating phone (see below) to use the service, which offers the sort of features normally found on private business exchanges.

By typing in some simple sequences on the dial pad you can stop certain calls being made, such as international calls. This is termed "call barring". Another sequence, tapped in just after you have completed a long call, will tell you the cost of that call. You can also divert incoming calls to other numbers and get beeped when you have another call coming in. This is termed "call waiting". When you hear the beeps you can put your present call on hold while you take the

other, simply by typing in a two-key sequence.

Call your local telephone sales office to find out if the Star service is available and whether you can get itemised billing. The operator will put you through for free.

The other telephone systems available in the UK use their own special telephones. Cellular radio caters for car phones and those portable or mobile telephones people insist on

a so far unsuccessful portable system which works on the same principle as the cordless telephones favoured by gardeners and poolside sunbathers. Owners of telepoint phones call from within 100 yards of a base unit – identified by a sign, such as Phonepoint or Callpoint, at stations and in the high street. You can only call out, which means telepoint is as convenient as carrying a callbox in your pocket.

Tandy and Dixons.

Then you have to choose the phone. There are two basic types – the fixed wire and the cordless. If you have a big garden, a pool or enjoy moving about the house while chatting on the phone, then the cordless is ideal. It allows you to be on the phone almost anywhere in the house or garden up to a range of about 100 yards. You can carry the handset to the potting shed or have it

recharge. Calls can be made and received while the handset is within about 100 yards of the base.

Cordless phones cost from about £30, depending on the number of features offered. The only drawback, other than the price, is that the radio waves can sometimes suffer from interference, causing a wowing and crackling noise. There are only eight radio channels allocated to this type of phone. This means that a neighbour could be using the same channel as you – although special electronics prevent them dialling in on your hill. Agree with the shop to swap the phone if it suffers from this sort of interference.

The widest choice of telephones is in the plug-in or fixed unit variety. Prices start at around £10 and there is no ceiling. You can get a perfectly respectable phone for about £30 and one with lots of features for under £80. Phones can still be rented from BT, but there are no financial benefits. If you have the cash always buy, never rent.

Phones are divided roughly into those that sell on their design, such as models from Bang & Olufsen, and others that sell on features, such as hands-free speech. Sometimes,

but not always, you can find an interesting design that also offers a wide range of features. But in general, if you want a phone in the shape of Mickey Mouse or something that Louis XIV would have liked if only he had had a new style socket, then do not expect features.

If you just want features, you will get features. Some are about as useful as a Dr Sense creation but others can become essential to modern life. Here's a quick guide to feature-phone speak.

■ **Mute button.** As many have discovered to their horror, modern phones cannot be muted simply by covering the mouthpiece. It has to be done by pushing the mute button.

This is ideal for saying horrible things about the caller to a third party in the room, preventing the sound of jackhammers muffled by the phone. Most phones offer a tone option, which also enables you to use services such as phone banking and BT's Star services.

Do not let extra features obscure the fundamentals of buying a phone. Make sure, for example, that the base is heavy enough not to fly off the table when you pick up the handset. The phone must feel comfortable to hold and be easy to dial. It should also bear a little green triangle which says it is approved for use on the BT system.

But most important is the quality of its ring. Unlike the bakelite blower with bells in the base, modern phones squeak, squawk, chirp and some even gobble like a turkey. Ask to hear the ring before buying as it can be quite disturbing living with a phone that makes the house sound like a poultry farm.

## Peter Knight picks his way through the bewildering array of modern telecommunications services and says callers must chose between high-tech and high-fashion

using in restaurants and trains. These are different from – and pricier than – the cordless phones used around the house or garden (see later). There are two almost identical cellular radio networks to which UK users subscribe. The running costs are high as all national and local calls are charged at the same rate as calling Dublin – around 40p a minute at peak times. The same rate is charged for making a call to mobile or car phones.

Telepoint, another system, is

The latest system is the personal communications network (PCN) which is an advance on the cellular system. It promises – within decades – to give us all a personal telephone number which will move with us for life.

Meanwhile, to replace your telephone: the first step is to get BT to change the sockets to the new type – £25 for the first socket. It is a good time to fit a few extensions too and these can be done yourself, if you are reasonably handy, with kits available from shops such as

between your ear and shoulder while basing the joint.

It has a base unit that plugs into the wall (you need a mains socket nearby too) and a portable handset with a telescopic aerial. The handset, which is a small radio receiver/transmitter that sends the call as radio waves to the base unit, from where it is sent down the line, has a dial pad with push buttons and a built-in rechargeable battery. The handset has to be left on the base unit at regular intervals – say overnight – to

How To Mend It  
Brollies and Biro's, buckles and bows

IN THE second of our series on How To Mend It Hilary de Boerr looks at more ways to give new life to some of the precious things in our lives – whether it be pearls

that have lost their clasp, watches that no longer tell the time or a much-loved pen that you can no longer fill, somebody out there will mend it for you.

**J**ames Smith & Sons, 53 New Oxford Street, London WC1, (071-536-4751) claims to be the biggest, and probably the oldest, umbrella shop in the world, with as many as 500 different types available. The family business has been going for 160 years, and will mend any umbrellas sold from the shop as well as most other English-made brollies.

The shop will consider almost any model, no matter how dilapidated, but some are simply not worth the trouble or the money. Routine frame repairs are the most common work, with a twisted rib costing about £5 to replace. Recovering starts at about £30. New handles can be added, with prices varying according to the brolly.

Umbrellas do have sentimental value, says the company – and it is not uncommon for the shop to repair ones bought there way

back in the 1920s. New brollies from James Smith & Sons start at about £10 and can cost as much as £400. Own-brand models cost about £40. The shop operates a postal repair service worldwide.

■ **Antique & Modern, 265 East Barnet Road, East Barnet, EN4 8TD, 081-449-8067.** If it is time to get your watch or clock mended and local high street shops say they cannot do the job, owner Jeremy Gane at Antique & Modern says he probably can. His three-man team mends anything horological – grandfather clocks, French mantel clocks, modern clocks, mechanical, electronic, quartz and pocket watches; even barometers.

A full service of a quartz wristwatch or clock starts at £12, £16 for a mechanical watch, and £30 for a mechanical clock. Replacement parts, if needed, are extra. Gane says that if the casing on a modern clock is worn it

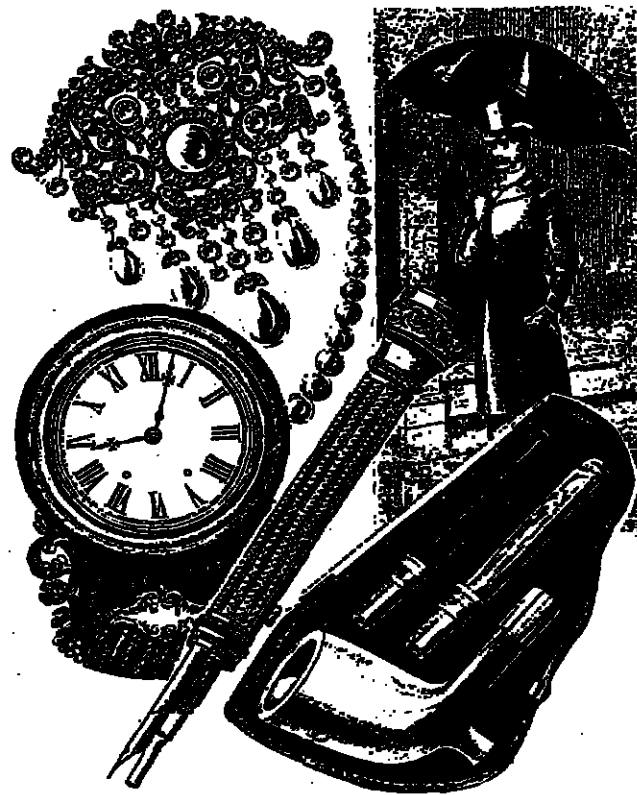
may not be worth mending, but estimates and advice are free.

■ **service for a grandfather clock** will cost about £200, which includes collection and delivery, a full overhaul, and a one year guarantee. Customers can send items in by registered post, or drop them in London at his shop at 15c Camden Lock Place. Gane also repairs and makes jewellery to commission and if, for instance, you have lost one of a pair of much-loved earrings, he will make one to match.

■ **Engraving and Watch Repair Centre, Oxford Circus Underground station, London W1, 071-734-8317.** This is the place for quick service at an accessible location – right in one of London's busiest Tube stations. The company can change watch batteries on the spot, starting at £2.50; replace gold clasps on bracelets or necklaces for about £5; and repair broken gold chains from about £5. If your ring is too big it can be resized for about £5; to make it larger costs about £5.50.

Owner John Gallagher has been working from his tiny shop for 14 years and says that another popular task is converting clip-on earrings to pierced earrings, which costs about £7 for silver-backed posts. If you have earrings lying dormant because of lost backings, he sells extra butterfly backings for pierced earrings at £1.50 a pair for silver and £3.50 for gold.

The shop has a same-day engraving service, repairs antique watches, resets stones in rings and will change watch



bands (it boasts a range of 10,000 watch bands on the premises).

■ **James Aldridge Jewellers, 31 Chancery Lane, London, WC2A 1LE, 071-242-3330.** This family business – which is so well-known it "does not need to advertise" – repairs gold and silver jewellery and will remodel, remount and restring anything that is not fashion jewellery. Restringing of necklaces starts at £15 while supplying, soldering and cleaning a gold clasp costs about £10. The work can take between three days and a week. The shop opens from Monday to Friday, while the sister shop, Radleigh Jewellers, at 30a Marylebone High Street, London W1, 071-935-4074, also opens on Saturdays.

■ **Anne Finemery, 82 Gainsborough Road, Southcoate, Reading, RG3 3BZ, 0734-588274.** Anne specialises in restringing necklaces and restoring tapestries and beadwork. She has thousands of beads collected over the years which can be matched with missing beads from anything you can think of: evening bags, curtains, lampshade fringing, costume jewellery, clothing.

Restringing pearls with silk thread costs about £8 for an 18 in knotted row, while unknotting will be about £5. Tapestry restoration is about £15 an hour, although Anne warns that the work could cost more than the item is worth.

She repairs gold and silver jewellery and is taking on more costume jewellery repairs – something many repairers will not consider because it can be risky. Costume jewellery can cost a fortune these days but a lot of repair jobs are quite straightforward, Anne says. She will tell you if it is too risky. Those who cannot take things in personally can use the registered postal service.

■ **Penfriend, 7 Newbury Street, London, EC1, 071-806-6542.** Most fountain pens, ballpoint pens and pencils can be mended by Penfriend, which claims to be able to fix more than 90 per cent of the writing objects brought in or sent from around the world.

The company specialises in vintage fountain pens, with a common repair being the replacement of rubber ink reservoirs, which starts at £11.75 including a service. A

full service – where the pen is stripped down, cleaned, fitted with a new reservoir and reassembled – costs from £14.10 for the popular Parker 51, while more fancy items can set you back by £50 or £80. Soldering a cracked gold nib costs about £20, bending a nib into shape is about £7.

If your fountain pen does not feel right when writing – perhaps you are left-handed or write with a slant – Penfriend will grind the nib to suit you for £20. The company can mend the clicking mechanism on pens and pencils, starting at about £5 for pencils. Most pens arrive by post but you can also take them in to the retail shops at Bush House, The Strand, London WC2, 071-894-8909 or 94 Burlington Arcade, London W1, 071-486-6333.

■ **Pen Sense, 5 King Street, Nottingham, NG1 2BE, 0603-472724.** We probably all have pens and pencils lying about the house unused because we cannot find the right refill or lead. Pen Sense owner Amerjet Panesar might be able to help – he buys loads of old pens, strips them down and recycles the parts. He can even make ballpoint refills to fit if yours have gone out of production. He also has lots of pens and pencils for very old pencils. Send a small sample by post and he will let you know if he can help.

Fountain pens that need new nibs will cost between £10 and £20 to mend. Replacing a rubber ink sac costs from £8.50 to £20, while replacing a pressure bar is another £2 to £3.50. If you are in the market for a new pen, his prices range from 20p to £4.750.

■ **Astleys, 109 Jermyn Street, London, SW1, 071-490-1887.** Brash pipes are sent here from around the world for new mouthpieces to be fitted and for cleaning and restoring. A new hand-cut mouthpiece costs £18, while the moulded version is priced at £9. Work takes about a week. New pipes cost from £45, so mending is certainly a money-saving option.

■ **THOSE seeking the Slix bathing costume and overshirt photographed last week who have had trouble tracking it down should note that it is stocked by John Lewis of Oxford Street, London W1 (not of Kendall Avenue, London W8). For information telephone John Lewis on 071-623-7711.**





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## PROPERTY



Lihou, a 40-acre spread of rock plants and grassland with a spectacular resident and migrant population of birdlife

## The mixed joys of island life

ISLANDS tend to be bought on impulse. There is the picture showing the place glowing in the sun, the calm sea, docile wildlife, salt-of-the-earth fisherfolk happy to hand over a pot of lobsters at the touch of a forelock...

Since the majority of islands for sale appear off the Scottish coast, prospective buyers with a tartan bias have an additional impetus to acquire such clearly defined bits of their homeland.

But the harsher realities of owning and managing such isolated property, means that the enthusiasm tends to wear off. The result is that island buyers in Scotland fall into three categories: those who buy, visit a few times then forget about the place; those who get hooked on the island life, and start to shape their whole lifestyle around the place, and those who get bored and trade on to the next impulsive enthusiast.

That pattern is evident in the turnover of island properties in the north. But with southern islands different factors come into play.

First is their rarity value. There is access to a far greater concentration of people, wealth and international transport, plus a milder climate. Make that climate tax-benign as well, and the buying interest in two small Channel islands should extend well beyond wealthy dreamers.

The islands of Lihou and Jethou, respectively to the west and east of Guernsey, have, coincidentally, arrived on the market at the same time. Roddie Felden of

Knight Frank & Rutley explains: "Both owners had been preparing to sell some time ago. Totally independently they happened to give instructions to go ahead at much the same time."

Turning coincidence to advantage, with a rare pair of southern island sales in hand, KFR (071-629-8171), which is sole agent for Lihou and acting on the Jethou sale with St Peter Fort-based Lovell & Partners (0481-728686), has the chance to offer impulse buyers' a choice.

The properties are distinctively different. Jethou is the wealthy owner's ideal hideaway, Lihou, a naturalist's home.

### Two small Channel islands are up for sale. John Brennan wonders who might buy them

Lihou, a 40-acre spread of rock plants and grassland with a spectacular resident and migrant population of birdlife, is the smallest of the inhabited Channel Islands.

It lies to the west of Guernsey and Robin and Patricia Borwick - who bought the island in 1983 and are believed to be the first people to have lived there all-year around since the Benedictine Priory of Lihou was abandoned in the Reformation - describe it in their book on Lihou as only half a mile from its parent island, but 2.349 miles from Newfoundland.

Low Spring tides uncover a paved way which allows visitors to cross to the island on foot. The Borwicks have accepted

visitors using traditional rights of access to certain parts of the island. Lihou was home to a profitable seaweed fertiliser and iodine trade until the mid-1980s but it was uninhabited, and its buildings used for German target practice, during the Channel Island's occupation in the last war.

The house was rebuilt as a holiday home in the 1980s and further extended through the 1970s. The present owners have improved the seven-bedroom house which, with its separate cottage and outbuildings, stands above great stone walls facing out over the causeway to

ultimate island enthusiasts, the Benedictines.

Pirates and smugglers enjoyed the island's convenient location for several generations after the Reformation ousted the monks. But it was after the First World War that the stone manor house was substantially extended by the writer Sir Compton Mackenzie.

Jethou is a private estate, and the manor was substantially upgraded in the 1970s. It was then owned by Sir Charles Hayward, who added a modern jetty, staff cottages and an effective water and electricity system. There are 16 years left of the existing Crown lease on the island, which ensures that the island remains tax free.

The States of Guernsey have the right to become head lessee in 1988, and if they exercised that right the tenant would be drawn under Guernsey's tax rules. The asking price of £250,000 is, as Roddie Felden says, much more a guide than a specific valuation.

Because of the island factor it is impossible to make sensible comparison with equivalent quality properties on the main Channel Islands. So who might be tempted?

"It's just impossible to tell," says the agent, "it's not as though we have a register of island buyers, they are all quite different. Odds are it will be person who has a number of homes around the world who literally will add it to his collection as a holiday place."

## Still a nervous homes market

John Brennan looks at house prices in the Hereford-Worcestershire area

THREE WELLS, a renovated 17th century detached house in 2½ acres of orchard and gardens, ranks as one of the better family-scale country properties in its area.

The house is three miles from one motorway and nine from another and has the ease of access that home counties' buyers dream of. But, in the nervous state of the housing market in Hereford and Worcestershire, an asking price of £285,000 for Three Wells at Hadger, near Droitwich, puts the house among the more expensive and slowest-to-sell local properties.

Not even the connections to the M5 and M42 north of Bromsgrove, can draw in the buyers in the way they did two and three years ago. The Worcester office of Andrew Grant (0905-24477), which is handling the sale, reports a fair amount of action among properties up to £150,000. Above that bargain hunters only roam the counties in search of households who have to sell.

Here, as elsewhere in the UK, the progressive reduction in mortgage rates has eliminated one bar to movement only to be replaced by a general lack of confidence and unwillingness to take on extra financial commitments.

Job losses in the area to the immediate south west of Birmingham are by no

means as severe as in the early 1980s recession that ripped through businesses in and around the west Midlands and Welsh border counties. But, from the smarter Birmingham commuter areas to the increasingly cash-strapped agricultural communities of Hereford, concern about job prospects has been countering the positive effects of savings on mortgage interest payments.

At Andrew Grant's office the sales staff reports "a vicious circle of people who would like to move but can't make positive offers because they are unable to get a reasonable offer on their own home."

In the most recent round up of housing activity from the Royal Institution of Chartered Surveyors, Hereford agent Russell Baldwin & Bright repeat the picture. Hopes of a good second half of the year, fuelled by long-awaited interest rate cuts, have been dashed.

Although agency offices across the counties report plenty of home viewers and strong circumstantial evidence of the pent-up demand from people who genuinely need more room, or who need to move for work or other reasons, the rules. In the unusually blunt words of the RICS: "The deepening economic recession has scuppered hopes for an early revival of the housing market."



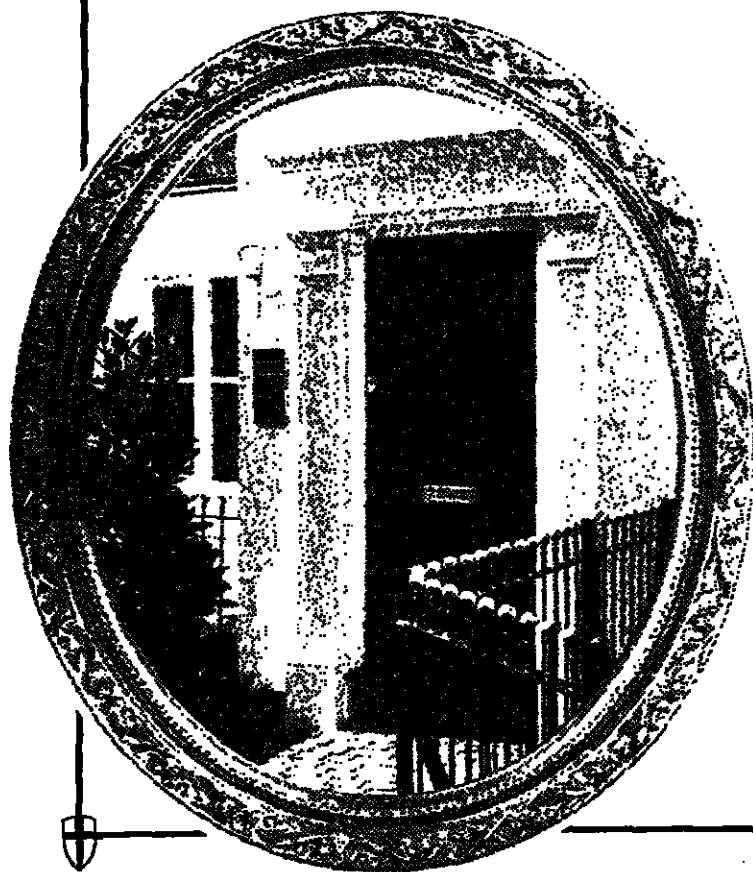
£285,000 is the asking price for this 17th century detached home

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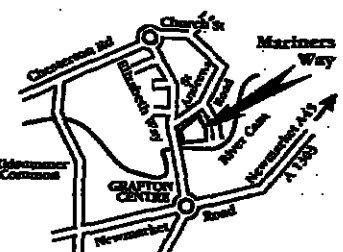
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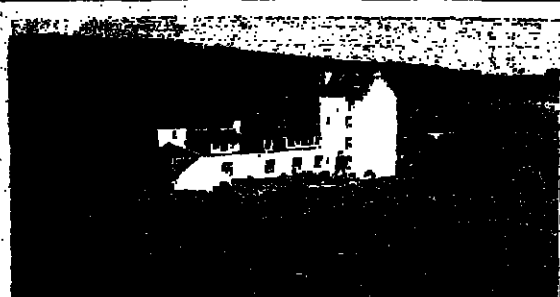


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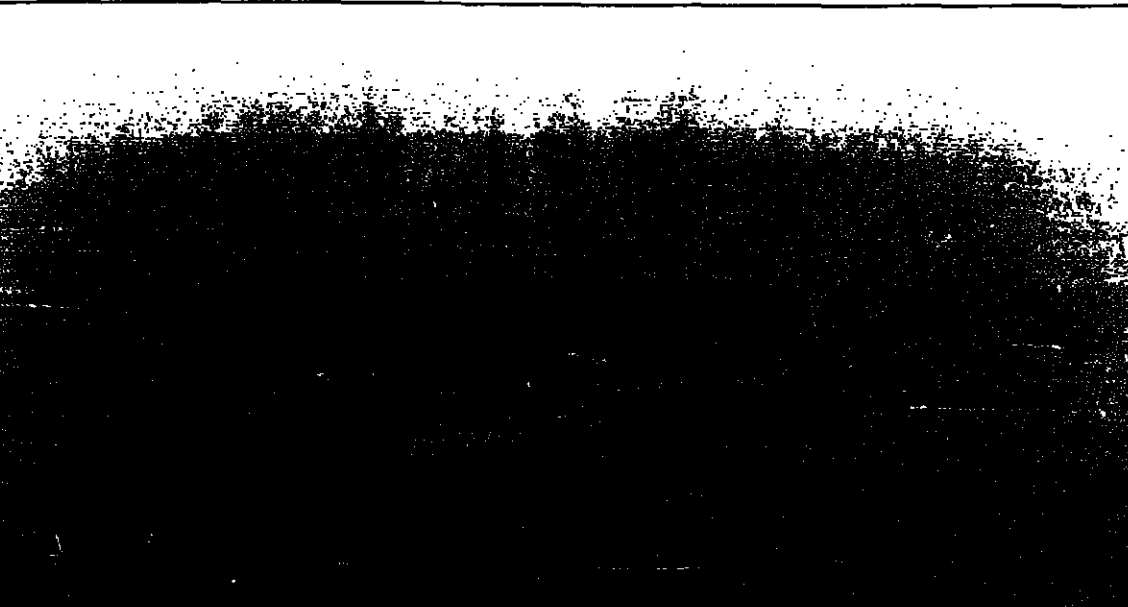
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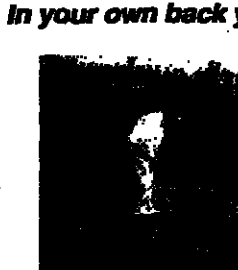
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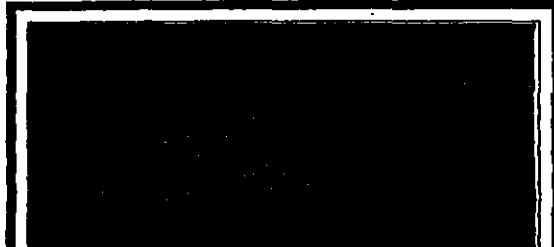
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## GARDENING

# Treasures of a new Eden

Robin Lane Fox captures the spirit of a curious garden

WHEN the rain lifted in the Yorkshire dales, I found myself at the foot of a steep, grassy hillside, lost in a thick canopy of Asiatic greenery where there ought to have been only sheep and woodland hawthorn.

On an open Sunday, a garden's clientele is usually predictable. The core of keen gardeners is enlarged by those who are taking older visitors out to pass an afternoon and a high proportion of people who are hoping to find cream teas on the lawn.

Placed to the north of Skipton, the gardens at Parvill Hall are a star in the good guide book and are known for a famous past in private ownership.

In their main courtyard, however, the clientele seemed different. There were no dogs on leads, no furtive visitors to the best verandas in the hope of an illegal cutting.

On the series of terraces, women sat in isolation, like castaways on the rapids of life. Most of them were reading intently, with a book or a tape in the other hand.

They were no *Plant Finders* or students of Hillier's manual: somebody had inscribed words about everlasting water on the surrounds of the main lawn pond. I was an intruder on an Eden of biblical study. I stood there as an atheist, the proofs of whose forthcoming book on the Bible were under lock and key in the car below this scene.

Among the escalonias and irises, lone readers were contemplating the very texts

which I had been ransacking for signs of historical falsehood in the past four years.

Was it all a coincidence or had a guiding hand brought me here on the day when I thought I had finished with the page proofs? Was it a reminder that gardens are not only for gardening and that there will always be people for whom historical criticism is not, in the end, of much biblical significance?

Over the years, many religious groups have tried to distribute their pamphlets to me, uninvited: only last week, some Seventh Day Adventists cornered me, unannounced, in the border while I had a Killarney of poison waiting for the birdweed.

Should I, perhaps, do likewise and start to distribute bits of the page proofs for an alternative view of the text? Or was it better to admire the magnolias and leave them in innocence with Luke chapters 1 to 11?

Perhaps I might have been bothered by something on the wall to the left of them made argument seem out of place. A venerable specimen of Crinodendron faced out from a wall across a bleak, bare dale.

It is an exquisite shrub from lands which the Bible never mentions and it requires an acid soil if it is to thrive and

show its deep red flowers which hang down like small lanterns. Whatever was it doing on a hill near Skipton? Thoughts of an argument vanished, before a shrub at its best

where it ought never to have grown. There was not just a Crinodendron, there were large camellias and some tree-like magnolias; the pink-edged leaves of a climbing Actinidia

were showing unusual stamina; here and there, there was a framework of rare evergreens, surviving against the odds. The reason was simple: from the 1920s to 1960, the gardens at Parvill Hall had been laid out by William Milner, friend and patron of great botanists and collectors who were bringing plants from the Far East.

And fit largely for sheep. Around Parvill Hall, the frost does not fall into a pocket and the hillside is sheltered by its valley from the worst winds. As the canopy of trees developed, Milner could establish shrubs which could not be risked outdoors in many microclimates to the south.

The biblically-minded might be tempted to call it a miracle. Round their retreat, nature smiles in a specially-favoured climate, the hill opposite the garden is the scene of Yorkshire's answer to the story of young Moses, a tale of the boy Simon who was exposed and brought up to a famous future by the local shepherds.

Even the guide book has caught the spirit. It is lyrical about a rare magnolia which it describes as bursting into red flowers for the first time in the very year when Milner died. After several false terms, I found it the label described it as *Magnolia Campbellii* Albo.

Surely it is white, I asked one of the gardeners, and not a red magnolia at all? In 1960, he assured me, it is said that there was a red magnolia, but it only flowered again recently and by then it turned out to be white.

Atheists, as usual, can find other reasons: natural microclimate, the widespread folklore of foundlings and shepherds and an over-enthusiastic error when the guide book was first compiled. But atheists, too, can respect a Crinodendron and I left surprised and reflective at what still clings on in this curious garden's framework.



Plant of the Week

*Hemerocallis Pink Damask*

So many new varieties of day-lily are now being introduced that it is difficult to keep track of them or find out where they can be purchased, but Pink Damask is an old variety which has never been superseded in its own colour, a lovely shade of what the Royal Horticultural Society's colour chart calls Empire Rose. It is readily available and is not only one of the best pink day lilies but it has a broad-petalled flower of excellent shape. It makes a strong-growing plant which multiplies rapidly and never seems to suffer from any ailment. It will thrive equally well in full sunshine or semi-shade but it does appreciate good, fertile soil not liable to dry out severely in summer.

AH

## Country View

## Mink makes a comeback

FERRETS swimming are not a frequent sight and so I followed my first glimpse with a much longer look through binoculars.

The animal in question was the right size but far too dark and when it climbed out on the far bank, I realised it was a mink, the first I had seen. This was in the mid 1970s when escape North American mink were breeding and spreading rapidly and could frequently be spotted during the day as they pushed further and further into new countryside.

Mink and coypu from South America were just two of a number of species imported to Britain and bred for their fur. Unlike most of their counterparts, both managed to escape from captivity and establish feral populations. So why has the mink flourished and the coypu succumbed to clearance operations?

The herbivorous coypu is a large rat-like animal weighing about 15½lbs and living in family groups. It breeds slowly and is badly affected by hard winters but, in spite of this, was well-established in the Norfolk area by the early 1960s and beginning to cause damage to agricultural crops and drainage systems.

Clearance operations combined with the hard winter of 1963-65 reduced numbers significantly but a more relaxed attitude - and a number of mild winters - enabled the animals to bounce back. A second big control programme began in 1981 and the last coypu seems to have been captured in 1987, four years before the target date.

Mink are quite different. These wily members of the weasel family weigh only about four pounds and tend to lead solitary lives, holding firmly patrolled linear territories along waterways or coastlines. New-born adults are forced to spread increasingly far afield to establish their own patches which do not impinge on existing ones.

They are carnivores but, while they exploit a similar aquatic diet to that of the otter, they are also happy to switch

to alternatives if food becomes short and will kill rabbits, rats and birds.

They had the advantage over the coypu because they escaped from a number of farms scattered throughout Britain so, although they did not breed in the wild until 1964, they were able to spread more quickly. Coypu had escaped almost 15 years earlier but from farms limited to the south and east of England.

Control operations against mink have tended to be far less successful and those which are caught often turn out to be itinerant individuals, leaving behind the residents to carry



on breeding. I suspect the main reason for their success is that they have filled a vacant niche in the British ecosystem which would otherwise have been held by the very similar European mink.

Over the years, especially when mink were dispersing, there have been wildly exaggerated reports blaming them for killing all manner of creatures from calves to small dogs. Scientific research discloses that their effect on domestic stock is minimal.

The apparent demise of the water vole is less a result of mink predation and more the fact that voles have changed their habits, adopting a lower profile to escape the attentions of mink.

Mink took no part in the decline of the otter and do not compete directly with it. But its return may be seriously hampered by reconstituted other hunts, which now choose mink as their quarry.

Michael Woods

## Where the grass is greener

Arthur Hellyer on how to keep your lawn in perfect trim

GRASS, at any rate in my part of England, grew well in the dry cool spring. Since, heavy rain has made grass cutting a time-consuming task and machinery has suffered heavy wear.

At least this should mean a much better year than last for the lawn mower industry but it also has other implications for lawn owners. Heavy growth means heavy use of food reserves in the soil and, although grass may be looking marvellously green now, there is a strong probability that many lawns are running short of nitrogen and some other easily-leached foods that are essential to plant health.

In short, one should be considering applying a modest dressing of a summer lawn feed with a high nitrogen content. A month later it will be too late to give this kind of dressing without risk of inducing

soft growth late in the growing season with consequent danger of encouraging snow mould and other winter grass diseases.

The obvious thing to give now is a special summer lawn fertiliser blended for this purpose and I have no quarrel with that except that it can prove expensive by comparison with a general fertiliser of the Growmore type.

A third possibility is an all organic fertiliser and there are plenty on the market. They should be quite satisfactory if obtained from a reliable firm, but will almost certainly be more expensive per unit of plant food.

Whatever is used must be evenly distributed at the rate recommended by the manufacturer or, in the case of Growmore type fertilisers, at 80g per square yard (75 grammes per square metre).

Weeds tend to get the upper hand when the soil is dry and the food supply is exhausted. This year they have, on the whole, had a poor time although I have seen one lawn on shallow soil that did get very dry in spring and is now in shocking condition with hawkweeds, medics and all the other horrors that thrive under these conditions.

There are only two possibilities then: to call it a day, dig it

all up, feed it well and then re-sow or re-turf, or to try the effect of two or three treatments at fairly close intervals with a good selective lawn herbicide.

Contrary to popular belief it is not impossible to sow grass seed in summer provided it can be kept well-watered without being washed away. In practice this usually means watering with a fairly gentle sprinkler that can be left running for an hour or more so that the soil gets well moistened without surface disturbance or undue consolidation.

It is much easier to work with specially grown turf, such as Rolawn, which can be

cut very thinly and yet retain a mass of fibrous roots ready and eager to take hold of the soil within a few days. (Incidentally, I wrote about a Rolawn demonstration at the Chelsea Flower Show and inadvertently spelled the name with a hyphen.)

It is much more sensible to deal with weeds promptly and by spot treatment rather than to neglect the problem until it becomes severe.

My solution to this, as to other matters involving small quantities of chemicals, is to use one of the plastic trigger sprayers which can be purchased for about £1. Have one ready charged with a lawn

herbicide, one with a general garden herbicide, one with a fungicide and one with an insecticide for instant use before the particular problem has become severe.

Until September it should not be necessary to do anything more to lawns than light raking with a spring-toothed lawn rake supplemented with brushing to remove dead grass and other rubbish. By early autumn something considerably more vigorous may be required, especially for lawns that take a lot of wear.

These may include spiking or slitting the turf to loosen it, let in air and give the opportunity for fairly bulky top dressings of grit or sharp sand, possibly with finely milled peat or with decayed and sifted leaf mould.

All these are intended to encourage a healthy turf with an active organic life of its own.

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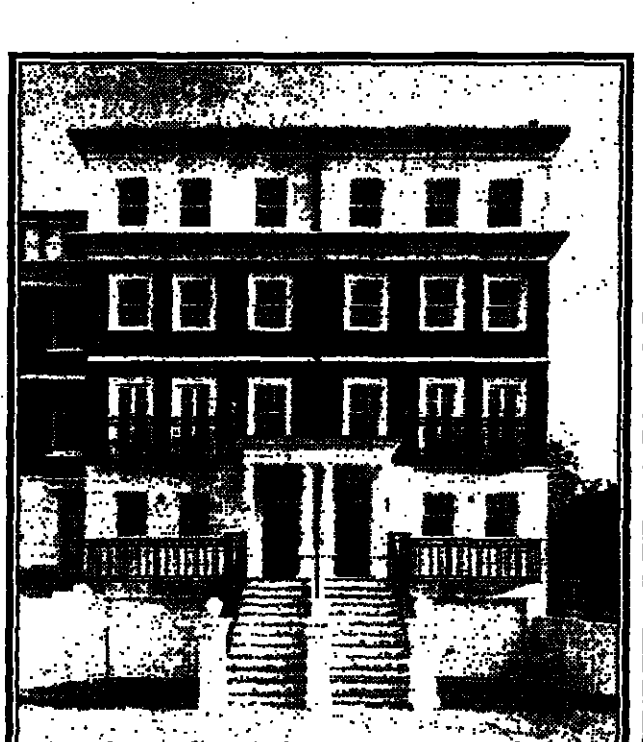
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## TRAVEL

# New Caledonia: coral islands, gallic soul

Roger Moreau discovers Noumea, a Côte d'Azur city in all but geographical location

**L**OBBED haphazardly, almost as an afterthought, in the immensity of the south Pacific lies the island of New Caledonia, which is east of Australia and west of Fiji. Spinal-ridged, shaped like a prehistoric flint artefact and known affectionately to its 170,000 inhabitants as *Le Caillou* (the pebble), the intense tropicality of its vegetation, the whiteness of its sand and its coral-girt sea almost hurt your eyes as you flight from Sydney starts its descent towards the capital, Noumea.

Seven hundred kilometres long by 80km at its widest point, New Caledonia has been a French possession for more than 150 years (claiming title a mere two days before the arrival of the British fleet from Botany Bay for the same purpose). As the 1990 census showed, the population is made up of 60,000 French settlers and civil servants, approximately 40,000 pure-bred Melanesian inhabitants called *kanaks*, about 60,000 *metis*, or half-castes, generally of a rare beauty of face and form and bearing in them the blood of almost every race on earth, and 10,000 or so Polynesians from the neighbouring islands of Wallis and Futuna who were imported to work the nickel mines.

Originally conceived by Napoleon

III as a penal colony - particularly for political dissidents - New Caledonia drew large numbers of Irish farmers from that other, somewhat larger, penal colony across the water, Australia.

Today, New Caledonia has no crime rate to speak of, is said to enjoy a higher standard of living than metropolitan France (thanks to its immense reserves of nickel), and offers every tourist amenity imaginable, short of skiing.

After the nickel, tourism is New Caledonia's largest industry and the great hope for the future when the precious ore eventually runs out. Noumea has ambitious tourism projects on the drawing board, but that is where they are likely to remain, because of lack of foreign investment.

While the Japanese, for instance, have poured more than \$2.5bn (£1.52bn) into neighbouring Fiji during the past three years, New Caledonia has only attracted 10 per cent of that sum.

"Our standards are high," says the mayor. "The environment must be protected, both aesthetically and culturally. It is our heritage to pass on to our children. I will have it no other way."

This is something the visitor will discover for himself. Noumea, a Côte d'Azur city in all but geographical location, where 15,000

boats of every size and variety are moored trimly in modern marinas, has retained its essential gallic island soul: a city where most of the population spends its weekend fishing, diving, water skiing or sipping wine and sun-baking on one of the 100 or so palm-fringed islands within a 75km radius of New Caledonia.

I shall never forget arriving within sight of one such island. I was looking forward keenly to grilling the results of a hard morning's fishing, only to hear the skipper growl: "Too crowded. Let's move on." There was just one other boat riding at anchor.

Noumea offers French gastronomy, shopping and art-of-living while enjoying all the famed attributes of the South Seas: first-class, inexpensive bistros overlooking magnificent beaches and deep blue pollution-free waters. Outside the city, the island offers scenery that combines, strangely, the best of South Africa and the Scottish Highlands.

Safari tours of the north are readily available and include a night on *le rizi*, as guests of the local chief. Traditionally, after the initial formality of *le costume* (the exchange of gifts: Johnnie Walker whisky is highly acceptable) you will be invited to partake with the



New Caledonia: a long way to go for a sunbat

tribe in a *bouana*, an exotic stew featuring any meat or fish protein to hand, and invariably including wild pig or deer, to which is added yams, sweet potatoes, bananas, taros, ignames, and, if the local marksmen are on target, a brace or two of flying foxes.

No visit to New Caledonia is complete without a three-day stay on the island of Pines, a mere 30 minutes' flight from Noumea. One stays in a native hut that is high on comfort. If you like snorkelling or scuba diving you will be rewarded with

beautiful coral-scapes. For three days and nights you relax in one of the most attractive and tranquil places on earth.

Another must is New Caledonia's east coast with its old colonial-style plantations, fertile valleys and wealth of tribal villages - or, best of all, some of the most rugged shore-line scenery imaginable. You will need a 4-wheel-drive vehicle, for in parts the *Rous nationale* is apt to become primitive. If you go, take plenty of food and camera film, plus beer for *le costume*.

**Information:** Noumea offers a variety of price-comfort levels, ranging up to four-star. It even has a beach-front Club Med. But my favourite by far is the newly-built tower of the Isle de France, close to the Anse Vata beach and next door to the quaint headquarters of the South Pacific Commission. Each apartment has kitchen facilities for those evenings when bacon and eggs offer a respite from the hotel's Cravache d'Or restaurant, which some travellers rate the best value for money between Noumea and

Los Angeles. Flights: Quantas has daily super APEX return flights from Heathrow to Sydney and Brisbane (£260 low season, £1400 high season) and twice weekly flights to Noumea, £591 from Sydney and £545 from Brisbane (tel: 0345-747767). Accommodation: Club Med (071-581-1161) offers a week in Noumea for about £400 and has return flights from Paris for £1,150-£1,400. Isle de France has one bedroom apartments from about £70 per week.

## Travel News

even more unlikely as the peak holiday season starts.

Holidaymakers can still buy a holiday from travel agents, but the choice is extremely limited until September at the earliest.

Turkey, still suffering from the effects of the Gulf war, has most capacity. Greece and Cyprus have some left, though their bookings have recovered faster since the war.

Yugoslavia, the main operator to Yugoslavia, has effectively written-off this summer by suspending all holidays until September 5.

But the company has decided not to withdraw its winter sports programme from the market as yet, in the hope that conditions in Yugoslavia settle before

its skiing programme starts in December. Winter holiday bookings are reportedly up on the same time last year - by as much as 80 per cent according to Lynn Poly - but this has not stopped agents continuing with winter holiday discounts to keep the momentum going.

Early bookers will soon get their chance to take advantage of the special offers for advance bookings for next summer: the first main 1992 holiday brochures are expected to be launched later next month.

British Airways has already made available its Florida brochure for next summer.

David Churchill

LAST-MINUTE holiday surcharges will be outlawed from 1993 if new UK proposals to give consumers holiday protection when buying a holiday become law.

The moves reflect efforts to harmonise the rules for package holiday travel throughout the European Community which came into effect in 1993. Under the proposals, tour operators would not be able to increase the price of a holiday for any reason within 20 days of the departure date.

If they did try to raise prices within that period, the holiday contract would be void and the consumer able to cancel without penalty.

The government's plans will also make it a criminal offence for tour operators to produce misleading brochures or to

fail to include all relevant details about holidays - such as the type and location of holiday hotels, flight times, whether or not holidaymakers need a visa, and health formalities.

Travel agents will also be liable for prosecution if they supply misleading brochures.

The government hopes to underpin its whole scheme with a new licensing and bonding system for tour operators. This would provide greater financial security for holidaymakers, especially those who use ferries, coaches or trains as part of their holiday travel.

Inevitably all these changes are likely to make holidays more expensive. Estimates suggest that an extra 2 per cent on the cost of package holidays could

be the result of paying for the added protection.

Comments on the government's proposals can be made, by September 30 this year, to David Boons, Department of Trade and Industry, Consumer Affairs Division, Room 507, 10-12, Victoria Street, London, SW1H 0NN, tel: 071-215-3395.

NEXT WEEK British Airways is putting on sale its first specialist golfing holiday programme with destinations ranging from the Algarve to Bermuda.

BA says the move is aimed at meeting a demand from golf enthusiasts who want

to combine a round or two with normal short-break or long-haul holidays.

Having pre-purchased more than £500,000 worth of green fees at the 65 courses featured in the new brochure, BA believes its prices are competitive in comparison with golfers booking a round themselves, and says it also has the clout to guarantee starting times on most courses.

THE UK's unseasonal summer weather and the crisis in Yugoslavia has given travel agents a late boost to sales, making last-minute discounts on package holidays

## Beware of charging rhinos

Neil Wilson backpacks through Chizarira national park in Zimbabwe

**T**HE SUN sank slowly as I stood at the edge of the escarpment and gazed westwards over the Zambezi valley. The southern edge of Lake Kariba glistened on the horizon. Hundreds of feet below, the Mcheni river entered the Zambezi valley from its deep, winding gorge. The sandstone cliffs, red and brown, shone in the setting sun. A pair of black eagles circled overhead.

This outstanding setting is typical of Chizarira national park, a remote and rugged area in north-western Zimbabwe. I was in a group of six that had arrived by four-wheel drive from Victoria Falls that afternoon.

Our guide was Leon Wable of Backpackers Africa, whose experience and knowledge of the African bushveld matched the wonder of being in this 808 square mile (1,575 sq km) national park. The dusty road, orange in the evening sunlight, provided a snapshot of animal life in Chizarira: tracks of snakes, jackal, duiker and baboon. We were soon to make our own tracks - following the elusive black rhinoceros - but first I was to re-establish my links with the African night. After three years in London, my first night under the star-splashed sky was blissful. At dusk I sat at the edge of the gorge, the smell of chicken curry from our camp mingling with that of the earthy bush.

The reality of life in a late 20th century wilderness was brought sharply home the next morning. We stopped at the national park offices where we were joined by Gilbert Masuku with his automatic rifle. Gilbert was to protect us (and the wild animals) from poachers. He is one of the many unsung heroes of the Zimbabwean bush - actually aware of the danger posed by poachers but committed to the survival of endangered species like the rhino.

Next stop: Bust camp, over roads so rugged that punctures are fairly common. It was here that we were to track rhinoceros, carefully led by the bush-wise tracker, Agripa Moyo. But first we visited Muzinga lake, refuge in the dry season of the spectacular white-fronted bee-eater.

That night, the sounds of crickets and owls were joined by the strange sawing sound of a prowling leopard across the dry Bush river, by the roar of lions in the distance, the crack of elephants breaking branches and the cackle of the spotted hyena. I decided that it would



Members of Zimbabwe's anti-poaching unit with the remains of an elephant

be best to sleep in my tent.

An adult black rhino weighs up to 2,200 lbs (1,000 kg), a fact that gave me no comfort the next morning, pausing in the sparse Miombo woodland as Agripa assessed the freshness of some rhino spoor. Keeping downwind, we followed the tracks for several hours. Suddenly, Agripa pointed to an area of scrub and trees 50 ft

away. There stood a robust female with her calf.

We crouched motionlessly, bursting with excitement. We may have been downwind of the rhino, but we were upwind of a herd of elephants. The tension rose. The rhino shifted nervously, perhaps sensing our presence, and I froze, looking at her razor-sharp horn. She turned suddenly and charged

away, the ground shaking.

This encounter made the commitment of individuals such as the "Rhino girls" all the more understandable. Julie Edwards and Charlene Hewat undertook the long journey from Glasgow to Harare to raise money and heighten awareness of the plight of Zimbabwe's threatened rhino population. They have published a

book, *Extinction is Forever*, and hope to continue their fund-raising efforts. Proceeds will go towards the establishment of a rhino sanctuary and to educational efforts.

Zimbabwe has an impressive policy for the conservation of its estimated 2,000 black and 500 white rhino. "Our ultimate plan is to form a gene bank, as part of the co-operative breeding programme between Zimbabwe and the rest of the world," Dr Willy Nduku, the director of national parks and wildlife management, told me in Harare.

Rhinos in vulnerable border areas are captured and transferred to more central and better-protected areas. Removing the rhino's horn and releasing the animals - a solution attempted in Namibia - does not solve the problem. The horn is needed to help ward off predators such as hyenas and lions.

Zimbabwe has stocks of rhino horn seized from poachers and would like to use them to raise money for conservation. But this is outlawed internationally, making the foreign exchange raised from tourism, especially wildlife tourism, all the more important.

Tourism is Zimbabwe's fourth largest hard currency earner. But the country's efforts to boost environmental awareness do not rest only on the benefits of tourism.

Zimbabwe refuses a school-leaving certificate to students who have not gone on a field trip and heard about the advantages of sustainable land use. Zimbabwe boasts one of the most diverse wildlife populations remaining in Africa. But it also has one of the world's most rapidly growing human populations. An ecologist in Harare told me that the growing number of people poses a much greater threat to the environment than tourism. How Zimbabwe copes with this problem will determine what there is to enjoy for safari-goers of the next century.

**Information:** Neil Wilson travelled c/o Air Zimbabwe (Gatwick to Harare). Tours and accommodation in Zimbabwe were arranged by Wild Africa Safaris through its UK office at House, 214 High St, Guildford, Surrey GU1 3JB. Tel: 0483-574939, fax 0483-38023. Backpackers Africa can be contacted via Wild Africa Safaris. *Extinction is Forever*, by Julie Edwards and Charlene Hewat, is available from Mamm Publications in Harare.

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# Sailing into battle

Richard Ollard admires a new history of the Second World War at sea

**D**ESPITE ITS vast size — well over 1,000 pages — this *History of the Royal Navy in the Second World War* is a most readable book. When it comes to narrative, particularly that most difficult form of narrative describing the course of a battle, Dr Barnett holds his own. He is always clear, often vivid, often moving. And he is notably good, perhaps better than some of the sailors who take these things for granted, on the atrocious conditions endured by the men who fought the Arctic convoys to Russia. Perhaps the submariners get, by comparison, rather less than their due. But it would be hard to think of a more just, more sympathetic and more convincing representation of what the ships companies of the 1939-45 war suffered and achieved.

In this the author has admirably attained his principal object. Entwined with it is a critique of the strategic conduct of the war at sea and of the professional, technical and political decisions taken before its outbreak which determined the options available. Much of this is valuable and interesting. Barnett's great merit is that he never mumbles: his judgments are clear, even if there are rather too many of them and too unrelentingly black and white.

In general he has wisely followed the trail blazed by Stephen Roskill, to whom the book is partly dedicated. The main faults of *Inter-War Defence Policy* which he emphasises, the failure to bring defence plans into realistic relation to commitments, the amateurish refusal to follow up developments in the scientific and technical fields of naval warfare, the loss of the Royal Air Force to the disastrous triumphs of Trenchard's doctrine of the war-winning bomber, the mood of compla-

## ENGAGE THE ENEMY MORE CLOSELY

by Correlli Barnett

Hodder & Stoughton £30, 1072 pages

themes with much matter that was not then available. The official history, for example had — for reasons of security — to conceal the fact of intelligence obtained by reading enemy codes and ciphers though Roskill himself had some access to it. And Barnett has been assiduous in his researches, not least into the splendid collections of Churchill College to which he is now, so to speak, Roskill's heir. Like Roskill he sees in A.B. Cunningham the great figure of the sea war, both as victor, commander and as the dogged leader of a fleet that was smashed to pieces by the Luftwaffe as it rescued our troops from Greece and Crete or fought the convoys through to Malta. Four times he stood up to Churchill at his most furious and formidable. Here, strangely, Barnett, who is not

inhibited in his criticisms of Churchill, tones down the high drama of the situation. His account of Cunningham's refusal to open fire on the French squadron at Alexandria does no justice to the courage shown by the clear defiance of an order. And Cunningham's objection to Churchill's scheme for sinking the Bismarck as a blockade in the approaches to Tripoli was not simply, as the author states, that it would deprive him of a battleship, but that the operation was tactically not feasible. Far more important, it was morally outrageous, because it meant the premeditated sending of a thousand brother officers and men to the bottom.

The author's view of the bombardment of the port, which was substituted, as a brilliant success was certainly not Cunningham's. "It has taken the whole Mediterranean Fleet five days to accomplish what a heavy bomber squadron working from Egypt could probably carry out in a few hours. The fleet had also to run considerable, and in my opinion, unjustifiable risks." But the understanding of Cunningham's trials at this terrible time is in general perceptive. Wherever one turns in this book one feels the compulsion to read on even when the story is familiar — such as the tragedy of PQ 17, heroic sacrifices such as the fight of the *Raiders*, or successes such as the sinking of the *Scharnhorst* — simply because they are so well told. Readers may be surprised to find the Naval College at Osborne going strong in the 1930s, but the maxim of Turmeau's that Captain Roskill was fond of quoting, "He who made no mistakes has made little war", should be present to the mind of every historian. The book is well produced, well illustrated, admirably indexed and — a rarity nowadays — remarkably free from misprints.

# Lead astray by conspiracies of war

**F**OR SOME years now two developments have been occurring in re-examinations of the Second World War. One development is salutary: re-examination of what is often hitherto taken for granted, or presented as an objective historical account.

The other development is pernicious: the invention or fabrication of material in order to suggest conspiracies as explanation for much that seemed odd at the time and has remained to puzzle us today.

Two of the examples of this genre under review here would have us believe that assorted intelligence and security services formulated and executed policies during and after the war which determined crucial elements of its course and consequences. Costello asserts that SIS lured Rudolf Hess to Britain on May 11 1941 as part of an appeasement conspiracy with Hitler which was designed to ensure that his forthcoming invasion of the Soviet Union would be a walk-over. Aarons and Loftus claim, in complementary fashion, that three years later, with the Russian people and not Hitler the victor, SIS and the embryonic CIA recruited fascists and Nazis in order to "roll back" communist rule in Europe.

Rusbridger and Nave go much further: they assert that Churchill deliberately withheld knowledge of the impending Japanese attack at Pearl Harbor in order to force the US into war. Unfortunately for this conspiracy theory, historians revealed some time ago that both Churchill and Roosevelt knew that a Japanese attack was possible, and did so know because of the signals intelligence with which Rusbridger and Nave make such play.

Of course Churchill wanted Roosevelt in the war. But Churchill knew his Roosevelt, and had learnt the hard way, from countless rebuffs, that the latter would make up his mind, his way. Indeed, the book provides evidence that destroys rather than supports the authors' conspiracy theory. The authors show in great detail what Roosevelt knew, if he chose to act on it. What Churchill knew was simply a gloss on the intelligence pouring into Washington. This manipulation of material does no credit to either author.

Costello, Aarons and Loftus, sensationalism notwithstanding, have by contrast something to say, but stumble in saying it. It is certainly the case that appeasement in

## TEN DAYS THAT SAVED THE WEST

by John Costello

Bantam Press £16.99, 600 pages

**RATLINES** by Mark Aarons and John Loftus

Heinemann £16.99, 272 pages

**BETRAYAL AT PEARL HARBOR: HOW CHURCHILL LURED ROOSEVELT INTO WAR** by James Rusbridger and Eric Nave

Michael O'Mara Books £15.99, 302 pages

schemes, doomed to fail through incompetence rather than treachery, were indeed concocted by intelligence services — after approval by higher authority — for weakening or destroying communist rule in eastern Europe.

The three authors in question, therefore, have latched on to important aspects of the war and its aftermath, but succeed only in confusing the issues by recourse to sensational statements and, in Costello's case, dubious sources. Aarons and Loftus assert that the entire "Ratlines" operation — playing back anti-communist agents in eastern Europe and the Soviet Union — was wrecked by the KGB. The latter's agents, so we are told, penetrated western intelligence services, an operation rendered possible because the Vatican was a prime move in Ratlines.

Obviously, the Vatican was anti-communist at the time, and for decades later. The important issue, however, is whether western political lead-

ers were correct in their appreciation of communist objectives. Churchill was passionately convinced that having, as he said at Potsdam, "let these Barbarians into Europe" all means were legitimate in the attempt to expel them. In sharp contrast, De Gaulle believed that Stalin's ambitions were vast but finite and would be satisfied with establishing his rule to the Elbe and Danube.

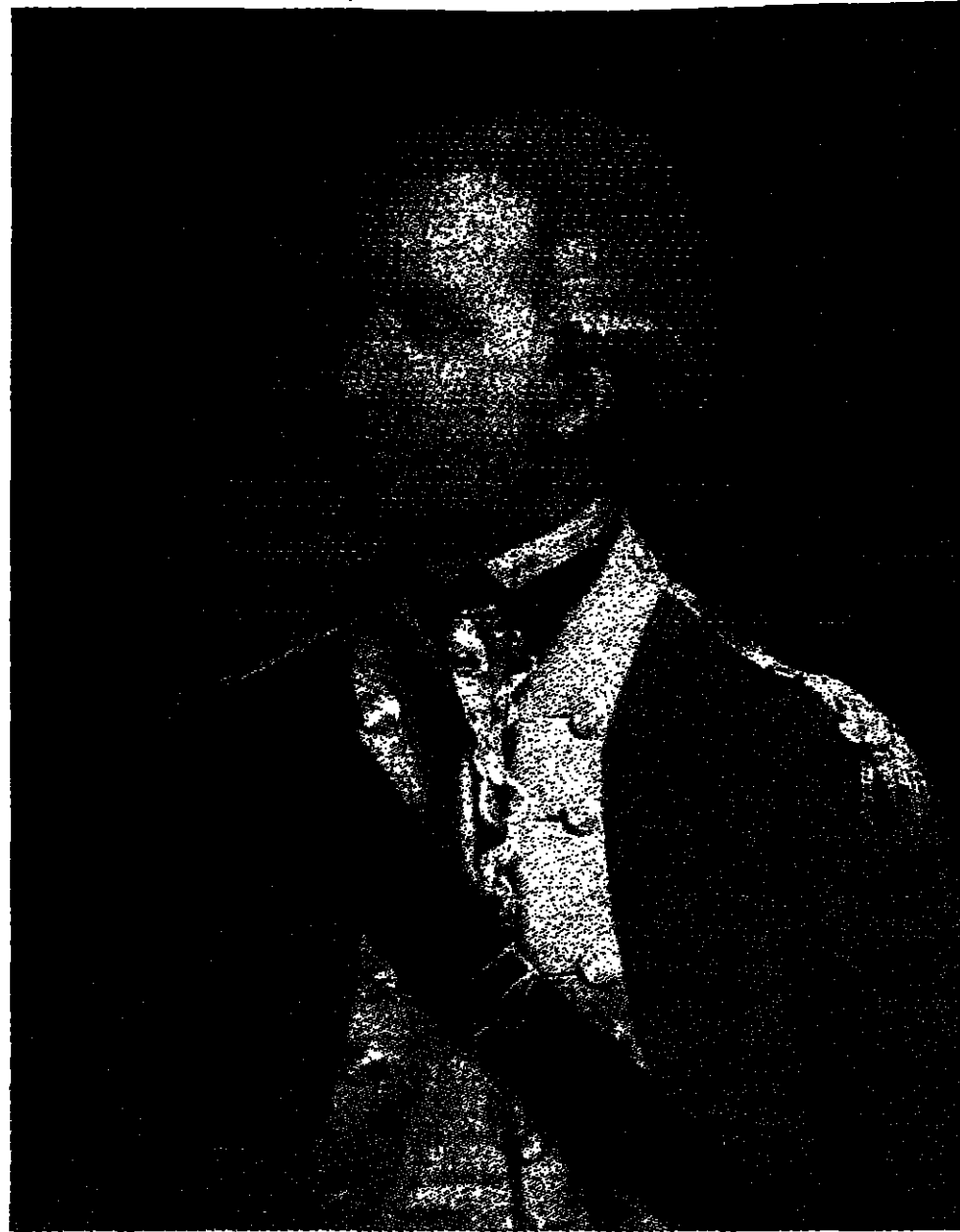
In the event, Churchill's views prevailed, but this wider dimension is ignored by Aarons and Loftus. Ernest Bevin, who went much further than Churchill in his opposition to communism and support for clandestine operations, Europe from late 1941 onwards did result in the recruitment of fascists and Nazis as part of a counter-revolutionary campaign. Some hare-brained

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Anthony Verrier



Scottish patriots as well as collectors will welcome J.C.B. Cooksey's *Alexander Nasmyth 1758-1840* (Whittinghams House £25.00) whose portrait of the 23rd Earl of Crawford is pictured above. Nasmyth was more than just an Edinburgh painter of picturesque landscapes. He was keenly interested in Scottish monuments and a friend of Robert Burns and Sir Walter Scott. When portrait-painting slumped he became a landscape consultant and tried to persuade Scottish aristocrats to preserve their ancient trees. Also an inventor, Nasmyth was wholly or partly responsible for the "Bow and String" bridge, the screw propeller, and the paddle-steamer.

# Driven insane by the Terror

**D**URING THE French Revolution, an artist called Georges-François Gabriel used to follow the condemned and squat at the foot of the scaffold to read on even when the story is familiar — such as the tragedy of PQ 17, heroic sacrifices such as the fight of the *Raiders*, or successes such as the sinking of the *Scharnhorst* — simply because they are so well told. Readers may be surprised to find the Naval College at Osborne going strong in the 1930s, but the maxim of Turmeau's that Captain Roskill was fond of quoting, "He who made no mistakes has made little war", should be present to the mind of every historian. The book is well produced, well illustrated, admirably indexed and — a rarity nowadays — remarkably free from misprints.

Among the mad, his most famous subject was Thérèse de Mercurio, a Belgian woman who had turned from bohemian romance, unfaithful lover and emul in the 1790s to infatuation with the Revolution. Known at the Assembly as *la belle Liegeoise*, she made fiery speeches, wore a scarlet riding habit and black plume, and rode at the head of the mob. She was kidnapped by the Austrians as a spy, imprisoned in a Tyrolean castle, and let out in time to lead the storming of the Tuileries in 1792. Revolutionary heroine for a few months, her star waned with the fall of the Girondins: she was publicly whipped by Jacobin women in 1793 and went mad, spending her last 18 years in the notorious asylum at La Salpêtrière.

Elizabeth Roudinesco's biography follows a long-established tradition of studies of women in the Revolution, from Marie Antoinette and Madame Roland alike become revolutionary figures, executed not as monarch or Girondist but for their betrayal of the nature which had supposedly made them women, that is exclusively wives and mothers.

The arch-villain is a "foul misogynist" journalist Sureau, who wrote that revolutionary women were "a handful of old dowagers, dyspeptic and toothless... hurled into the saucepan of the rights of man". He was backed up by a mob incited by Thérèse: "through the Revolution she was able to transform her femininity, once fragile and shameful to her, into something virile and triumphant".

The suspicion that this was the most unbalanced history I had ever read was confirmed by the section on the historiography of Thérèse. A look at the way each age has seen Thérèse as a reflection of its own concerns could be fascinating. Michel's idealised victim of male cruelty (the altered facts to claim Thérèse was beaten) who would have done well in Dickens or Dostoyevsky. Baudelaire's recasting of her as an Amazon "by blood and fire enraged", a precursor of decadent heroines like Wilde's Salome; Sarah Bernhardt's 1901 stage Thérèse, a modern neurotic. But Ms Roudinesco's glibly to the feminist viewpoint that other perspectives are seen merely as an assault on her own moral high ground. That her book, with its archaic style ("Our heroine had known the glorious period"), unlikely linkages and repetitions and humourless and muddled thinking should be offered with a straight face by a serious publisher is extraordinary.

Jackie Wulfschlaeger

# Troubled times in France

**T**HERE CAN be few people in France today who look back on the Fourth Republic with other than painful memories. Those precarious governments rising and falling with monotonous regularity, the improvised coalitions, always at the mercy of the extreme left or right, the predictability of musical chairs played by the political leaders, scarcely provide an edifying spectacle, but it is not without fascination.

As the Paris correspondent of *The Times* for much of the period from 1946 to General de Gaulle's return to power in 1958, Frank Giles was a close observer of the periodical tumult in the Palais Bourbon; considering the many hours of frustration and boredom which he must have spent in the press gallery, he could have been forgiven a touch of *Schadenfreude*, but his account of the troubled post-war period is refreshingly free of any such sentiment and he writes with sympathetic understanding of the many problems which confronted successive prime ministers — from Bidault to Quaille, from Mollet to Mayer.

Its inception in 1946 had been accompanied by the onset of a long cruel war in Indo-China, nearer at home it was soon embroiled in a bitter wrangle over the rearmament of Western Germany, then came the trauma of the French defeat at Dien Bien Phu, followed by the Suez adventure, by mounting tensions in North Africa, and finally by the outbreak of war in Algeria. So it is perhaps not to be wondered at if the backdrop lifted to disclose a motley cast of malcontents, including the self-proclaimed Gaullist tribune, Leon Delbecq, the ex-police commissioner Jean Dides, the ultra-sensationalist General Jacques Faure, and the rabble-rousing populist Pierre Poujade. Meanwhile more and more people longed for the restoration of firm authority.

Impassive, de Gaulle waited in the wings until his hour should strike. It struck on Sunday, June 1, 1958, and he was voted back into power after 12 years of political exile at Colombey-les-Églises. The paradox and the wonder is that the general, who had never concealed his scorn for politicians, was finally able to endow the Fifth Republic with a constitution that has withstood all buffetings and endured far longer than his hapless predecessor.

Erik de Mauny

## Fiction

# Pithy parables

**W**HAT ARE the consequences for the human spirit when it is denied free access to knowledge? Joseph Brodsky has spoken of an enormous sense of inferiority engendered by the creeping suspicion that his least thoughts — whether in the fields of poetry, aesthetics or theology — had been thought already in the West and, worse, disseminated in books that were freely available — but not, of course, to him. The great Czech poet, Miloslav Holub has testified to the intellectual consequences of the denial of some part of his Czech identity — in his case, the part that opened a window upon the classical civilisations of Greece and Rome and turned him once, in his vividly remembered youth, a Czech European into an eastward-facing Slavophile.

These themes — the denial of access to knowledge and the debilitating consequences of the wanton destruction of literature that has been succoured by the classical, literature free of the taint and the mire of Asia, are taken up by one of Czechoslovakia's greatest prose writers, Bohumil Hrabal, in his witty, pithy parable, *Too Loud A Solitude*. Hanta, a compressor of wastepaper, presides over the destruction of books, magazines and prints in his dingy, fetid Prague basement. From time to time his boss yells peremptory commands, abuse at him through the hole in the ceiling — that same hole through which the worthless books come pouring: Kant, Kierkegaard, Nietzsche, all those beloved names...

The psychological burden of his suffering is relieved in three ways: by his rescuing a beautiful book from time to time — some favourite by Kant, for example, that might speak of the freedom of the stars; by sousing himself with alcohol, which helps to induce in him some ecstatic sense of self, raising him from the animal to the mystical; and by wrapping his compressed bales in prints by the great two-dimensional masters Rembrandt, "old master on face" (such jocular teasing and mimicry help Hanta to believe that he is reliving some small portion of these artists' lives). At the end, having concluded that he has lost his struggle to keep faith with a dying humanism, Hanta, dirty, oppressed, as despicably

enslaved as something out of Gogol, decides that the only choice left to him is suicide because it is, after all — and he quotes another humanistic mentor, Camus — the only free act available to this animal called man.

Hrabal's strange, tumultuous, musically repetitive prose, with its dark, unexpected corners, curious twists, accretions and awkwardnesses, makes a mockery of the insane, brutalising influence of the police state.

The death of Yukio Mishima by hara-kiri in November 1970 in protest against that portion of the post-war Japanese Constitution that forbids involvement in war can be regarded as some kind of thematic underpinning of all his work. This immensely talented and extraordinarily prolific novelist, actor, playwright, film director and, needless to say, accomplished

**TOO LOUD A SOLITUDE** by Bohumil Hrabal

Andre Deutsch £9.99, 98 pages

**ACTS OF WORSHIP** Yukio Mishima

HarperCollins/Fleming £13.99, £4.99, 203 pages

swordsman, reads like a finely honed blade — cold, indomitable, impervious to the touch; and this posthumously gathered collection of seven short stories is soaked in his familiar themes: the heroic imperviousness of the self; the spiritual triumphalism that goes hand in hand with physical prowess; unstinting applause for high heroism; the pursuit of physical perfection at no matter what human cost. If, the central character of "Sword", the most arresting of this group of stories, outstares the sun as a child and, therefore, his life is devoted to the painstaking construction of "the crystal fortress of his own purity" — by his domination of the school fencing team, Mishima's spiritual testament, "Sun and Steel", reads like a warning, as a puny, bookish boy, sought to perfect himself through physical action.

Everything here is bleak, brilliant, highly burnished and, ultimately, gloriously purged of compassion.

Michael Glover

# Death in Africa

**D**IAN FOSSEY was celebrated for her work among the mountain gorillas of the Virunga volcanoes on the Rwanda-Congo border. She also became celebrated for her murder on the research site. The only suspect, researcher Wayne McGuire, got out fast, but was tried in absentia. No one thought he was guilty, but Harold Hayes's account of Fossey's life suggests that someone was bound to kill her sooner or later. Her relations with others on the site were usually quarrelsome as when she was trying to seduce them; she bullied the Africans; and there was civil war in the Congo.

Her work with the gorillas was the more remarkable for her lack of qualification. She took time off from her work of looking after handicapped

**THE DARK ROMANCE OF DIAN FOSSEY** by Harold Hayes

Chatto and Windus £19.99, 350 pages

**I DREAMED OF AFRICA** by Kukli Gallmann

Viking £16.99, 315 pages

detail is given of the gorilla observations, for which one would have to turn to Fossey's *Gorilla in the Mist*, book and film. Relations with her fellow researchers are fairly detailed, however, for they have been able to present their side. Of the 24 photographs, only five show gorillas; they are interesting, the others not.

Kukli Gallmann's Africa, which she dreamed of as a girl in Venice, is a very different place. Her second husband Paolo, evidently a man of substance, settled in Kenya — a house in Nairobi and a ranch in Laikipia, with 5,000 sheep, 6,000 cattle and game of every kind. Kukli Gallmann's panorama of Kenya life for the *maungu* well-off is enchanting, if you can take the atrociously sentimental writing. Relations with her fellow researchers are fairly detailed, however, for they have been able to present their side. Of the 24 photographs, only five show gorillas; they are interesting, the others not.

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B.A. Young



Dian Fossey when she first arrived in Africa

children in Louisville to make a tourist trip to East Africa; then, when she applied to Louis Leakey for a job observing the gorillas, she included photographs with her application which were not her own. (She was habitually untruthful.) He took her on, however, although she spoke neither Swahili nor French and could not deal with the extraordinary, though she was no good at writing them up. Long after she had left her site, gorillas would be so friendly with tourists they would try to sit on their laps, as they had with Fossey when they were small.

Harold Hayes's account of her life is half devoted to her family and friends, and they are less than absorbing. Little

















WHEN I was at school I was said to have "no respect for authority". I never knew what the teachers meant by this, which I suppose proves that they were entirely accurate in their assessment.

Fortunately both my prep school, and the public school where I ended up, were liberal bordering on indulgent, and so few tears were shed on either side. I went to one school of much more disciplinary tendencies, and we stood each other for less than a year.

But even the schools which put up with me were careful never to pin the badge of "monitor" on my blazer. At least my eldest sister - who I think had a special relationship with authority - was awarded

# Common kindness due to royalty

Respect for superiors, says Dominic Lawson, should mean treating them as well as 'ordinary folk'

the rank and responsibility of "custard monitor" and wore the badge with pride.

It is only as an adult that I have begun to understand what it means to have "no respect for authority". It means to treat people of rank with as much, but no more, respect as those who have no rank.

It does not mean to abuse or insult or defile them - that is the province of revolutionaries and the subversive. It is no more than the absence of a common emotion, for, ultimately, respect is an emotion rather than a thought.

This is particularly true of our attitude to the Royal family. I recall going to the Lords Test match on a Saturday a few years ago. It was tea time, and, as is customary on this occasion, the Queen made her way down the steps of the members' pavilion towards the pitch, to greet the English and touring teams.

I was standing just by the door of the pavilion through which the Queen emerged. I remember feeling quite shocked that, as she walked past me, I felt nothing at all, except a slight curiosity.

I then looked around at my fellow

members, and saw that their faces were all transfixed by a peculiar grin. I suppose anthropologists would liken it to the rictus which wolves or wild dogs display towards the leader of their pack, but it is quite possible that these members of the Marylebone Cricket Club pack were expressing genuine pleasure, and not just pure obeisance.

I felt my face, and realised, again with a shock, that I wasn't smiling at all.

But I am not a republican, any more than, when I was a

recalcitrant public schoolboy, I wished to see an end to the institution of the public school. I can imagine no system which would create or elect heads of state more virtuous and less objectionable than our Royal family. And, therefore, I do not consider that the speculation about the future of the marriage between the Prince and Princess of Wales - 10 years long on Monday - serves any good purpose.

It is interesting that the most consistently destabilising comment and attacks on the Royal family has come from the *Sunday Times* and

the *Sun*, both newspapers owned by Rupert Murdoch. Most newspaper proprietors are reluctant to sanction outright opposition to the Royal family, either because they genuinely believe in the institution, or more cynically, because they covet public honours that are, ultimately, in the Queen's gift.

But Murdoch is a citizen, like Kane. For purely commercial reasons - the desire to own an American television network - Murdoch decided to stop being an Australian, and a subject, and instead to become an American,

and a citizen of a republic. For Murdoch, nationality is a commodity to be traded, at a price not exceeding the value of a television channel, less what he paid for it.

His newspapers' termite-like burrowing into the foundations of the marriage of the Prince and Princess of Wales should perhaps be seen in this context. It is not necessary to be either a great respecter of authority, or an out-and-out Royalist, to fear some unease at what is happening. To treat the Waleses only with as much kindness as one would show any ordinary couple seems both sensible and fair, even for those of us who "have no respect for authority."

■ Dominic Lawson is editor of *The Spectator*.

PHILOSOPHERS are usually pictured as peaceful rumblers, contentedly browsing on paradoxes and other logical thistles in some remote intellectual upland. It is a wrong impression. Right back to Socrates, they have been troublemakers.

So Colwyn Williamson, lecturer in philosophy at University College, Swansea, and regarded by the university authorities as the ringleader of a group of troublemakers, can claim to be part of the mainstream.

The row in which he is involved has required the intervention of a former prime minister, Lord Callaghan, and this week the fate of Williamson and two colleagues was put in the hands of the titular head of the college, the Queen herself.

It began as a protest about low academic standards. About 20 teachers complained to the university that MA degrees in a new-fangled subject, the philosophy of health care, were being dished out without proper supervision or examination.

Of the five principal protesters, one left, one resigned and one was forced to take early retirement. Williamson and his colleague Michael Cohen, accused of denigrating colleagues and disrupting college life, were suspended. They continued teaching in a nearby pub.

Last week, after their criticisms were vindicated by an independent report, the pair were put into limbo. They get 15 months' paid leave and the use of a room in the college maintenance block but are barred from the philosophy department.

Williamson is an obvious target. For a start, he disagrees with the prevailing view in the department - although he has been there over 20 years - that Wittgenstein had, indirectly, a lot to say about ethics and religion.

Then, he is a Marxist. Actually, it is even worse than that: he is a Trotskyist Marxist. He goes on demos. He was sacked from the University of Alberta for his political activities. To cap it all - and most galling of all to the authorities - Williamson turned out to be not only Left, but right.

I asked him why the storm had blown up in Swansea rather than elsewhere.

"Oh, because the Centre for Philosophy and Health Care is very much a creature of our time. It was devised to come to terms with a new environment in which universities are struggling to survive. Are you suggesting that the Centre hasn't much to do with philosophy at all? That it is really about getting fee-paying students?"

"Well I think it proved to have very little to do with philosophy." I asked about the Centre's planned offshoot in Kuwait. Why were the Kuwaitis so interested in the philosophy of health care?

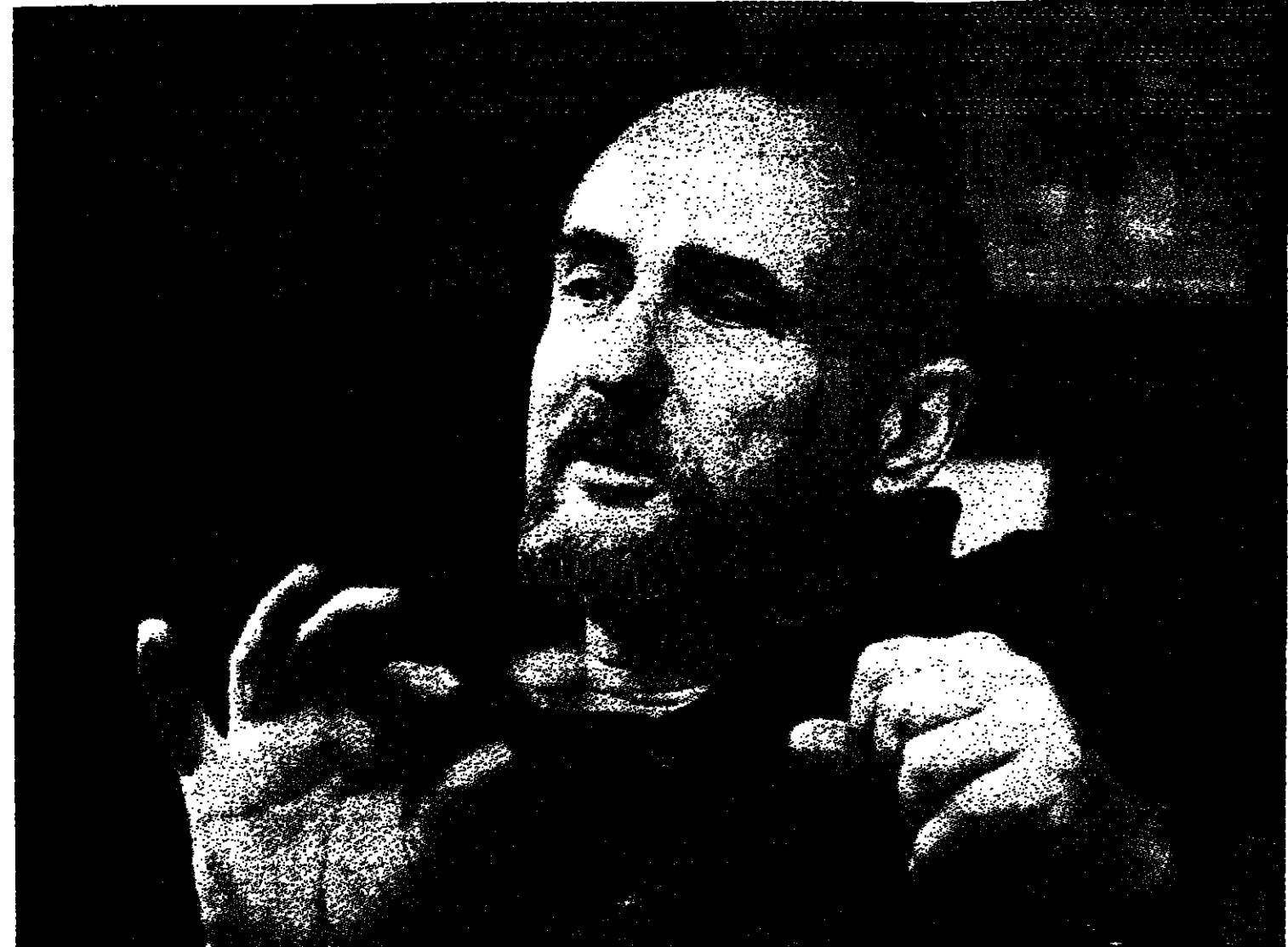
"Well, it isn't clear that the Kuwaitis are particularly interested in the philosophy of health care, or that the Kuwaitis as a people have very special problems in the field. Williamson tried to keep a straight face. "It is, of course, evident that the Kuwaiti government does have a very large amount of money."

Are all courses in applied philosophy a waste of time? "Well, there are people whose seriousness I respect, who are working in the field of applied ethics and I would never dream of questioning their right to do so."

"I am sceptical about whether philosophy can play that role. I don't think that philosophers have anything special to say about the deep moral dilemmas that medical practitioners and lots of other people face. What can a philosopher say about it? The crucial question is, if you are going to do it, are you going to try and do it seriously?"

What does the affair tell us about the state of British philosophy?

"It isn't only philosophy that's



Private View

## The perils of philosophy

Christian Tyler talks to the academic who was punished for telling the truth

affected. But philosophy is bound to be more affected than other, cognate disciplines because it's the most abstract and the one that appears to have the least economic utility. It doesn't obviously have any kind of market value in an epoch when everything is supposed to have market value."

If you had tea with the Secretary of State for Education and he told you he was thinking of closing down all philosophy departments because he could not see the use of them, what justification would you offer for keeping them open?

"What a philosopher would say is it depends what you mean by 'usefulness'. Of course, that's a trite way of putting it but it's a very, very serious question. What is the usefulness of a painting, for instance? Whether something sells or not is only one kind of argument you might have."

What value does philosophy have? "It has, at its best, the capacity to enable us to understand ourselves better. Now, is that worthwhile? Is it a good thing to understand yourself better? It can be a very disruptive thing."

"It's a value that can be justified only in its own terms. If you have to ask that question, then you're never going to get a satisfactory answer. I guess it was Fats Waller who put it best: if you have to ask what rhythm is, you ain't got it."

On the face of it, Williamson has been punished for telling the truth. Was there more to his case than met the eye? I said: You're an athe-

ist, I take it.

"Yes, I suppose so." You mean you don't think about it?

"That's right, I don't think about it. I don't campaign against it. I just have no use for most conventional religious beliefs."

You have admitted to being a Trotskyist.

"I think I said I was someone who didn't quake at being called a Marxist or Trotskyist. I think of Trotsky as someone who kept the revolutionary heart of Marxism alive during the period of Stalin. If you sympathise with Marx, then it's impossible not to follow Trotsky in the very broad sense."

Can you be ideologically motivated and still a good philosopher? Williamson paused. "You see, you are prepared to alter the course of a line of reasoning in order to fit some preconceived conviction. On the other hand, the connection between your religious or political beliefs and your way of doing philosophy is a profound and internal connection."

"Thus in the case of Marx, for instance, when he tells us to understand the concepts that we employ in the context of the distribution of power, that is an insight which, if it takes possession of you, will affect your whole way of doing philosophy. Because then you will think of concepts not merely as interesting, but in terms of the way in which they serve interests and perpetuate people's subjugation."

So that conceptual confusions

are not merely intellectual puzzles but also part of the struggles that dominate our lives."

Most great philosophers had been political in some sense, Williamson observed. Hobbes was called the Monster of Malmesbury and was everywhere described as an atheist. Was calling someone an atheist then like calling them a Trotskyist now? I asked.

"Very similar. The similarity often strikes me."

I asked whether he was not vulnerable to the charge of being a naive Leftwinger who had failed to realise that the world had changed - and therefore as a troublemaker.

"Oh, of course. You see, the Establishment characterises idealism as a youthful phenomenon. It regards growing up as a process of becoming like everyone else. But that's a very cheap conception of maturity. I'm in favour of people retaining that spark of inspiration that almost everyone has at some stage in their lives. In that sense I'm in favour of being permanently infidel."

Do you pick fights with the Establishment just because it's the Establishment?

"That's a form of madness, that, looking for confrontation for the sake of confrontation."

"If you look at the issues on which I fight they are for the most part very liberal issues. To fight a liberal issue seriously, you almost have to be a hardened Bolshevik to survive the pressure that's put on you. But it's not a Bolshevik issue. To fight for that traditional ac-

ademic ideal in present times requires a degree of resolution and commitment that many people would find terrifying."

I asked what he thought the controversy showed. "We started with a very small issue, or so it seemed. It produced convulsions so deep that they can't be explained in terms of the issue itself. They have to be explained in terms of the time we live in."

You obviously see it as a watershed for academics.

"It's a watershed because people who care about their teaching have taken an awful battering for a decade. More and more people are wondering what is the point of teaching."

"It's about who cares any more, you know. And this is why I am invulnerable in a way. Because the only thing I care about in the university system is teaching."

Williamson seemed close to tears. "It's an irony, I don't even care if a man has got a degree. But I do care about people doing the best they can and teachers and examiners doing the best they can. My students know that, Marxist I may be, but I am very very hard. I'm frightened as a teacher because I don't tolerate second-rate work."

"That's where the issue of handing out degrees hurts me. Because it's a manifestation of not caring and it undermines my position as a teacher. If the college in Swansea is going to take that away from me, then they no longer have any hold on me. Which is why I frighten them, of course."

## My search for Hitler's diaries

Michael Thompson-Noel



I WAS steering my valiant Rover between the pot-holes in Wittenberg, in what used to be East Germany, the other day when I thought: "What the heck, Michael, why not go and look for the Hitler diaries yourself? You haven't had any mega-scoops lately. Nothing genuinely global or worth stopping the presses for, if in fact they can be stopped in this day and age. The Czech border isn't far, so what have you got to lose? Let's hit the road to Dresden."

To test that my brain had not gone into reverse in parody of the coming moment when the universe stops expanding and starts to contract again, so that things run back-to-front, I taxed it with some simple calculations:

1) At mid-1991 values, how much would the Hitler diaries be worth, if in fact I found them? Before going to Germany, I had read Robert Harris's account of the whole *Stern* fiasco, *Selling Hitler*, and watched ITV's tale-drama.

In April 1983, when the dim-wits who ran *Stern* and Gruner and Jahr, to say nothing of Bertelsmann, were negotiating the sale of their forged Hitler diaries, Rupert Murdoch's News International agreed to pay \$400,000 for the British and Commonwealth serialisation rights, plus \$800,000 for the US rights. In Europe, other partners stumped up smaller sums - \$400,000 from *Paris Match*, \$150,000 from Grupo Zeta of Spain, and so on.

In short, in 1983 *Stern* signed serialisation deals worth a fraction under \$2m, to which I - in July 1991 - would be able to add the German syndication rights, plus the world book rights. Quick as a flash - and making allowance for changed currency rates and the current soggy state of the global media scene - I reckoned that the value of the real Hitler diaries at mid-1991 values, if in fact I found them, would be approximately \$33.333m, give or take a point.

2) What were the odds against the diaries' existence? These, I am afraid, were rather large. Say 75m-to-1.

3) If they did exist, what were the odds against my finding them, given that I had little idea where to look and anyway had to be back in Hamburg later that evening? These odds, again, were rather large, for I would have to drive from Wittenberg to Dresden and then continue south-east to the Heidenholz forest near the hamlet of Börnersdorf, close to the Czech border. In April 1945, a Junkers 362 carrying some of Hitler's property to safety crashed in this forest. The plane was said to have been carrying Hitler's private archives, which is how *Stern*'s mad story of the Hitler diaries got going in the first place.

By my calculation, the odds against my finding the diaries, if in fact they existed, were - yet again - 75m-to-1. Which meant that the combined odds - against the diaries' existence and against my finding them - were 5.4m-to-1.

To a gambler like me, odds of 5.4m-to-1 for a prize of \$33.333m, give or take a point, are not especially daunting. So off I set. But I needed some petrol. So I found a garage and joined a queue. Quite a jolly queue, as things turned out, not at all totalitarian and certainly not neo-Nazi, despite what you might have read in the papers recently about trouble and strife in Dresden.

Then I got lost. I was trying to avoid Leipzig. You try avoiding Leipzig, and see how well you do. By the time I had steered the Rover in a south-easterly direction once more, I realised that by the time I reached Börnersdorf it would be almost dark. Yet I had to get back to Hamburg. Hunting for the diaries virtually in the dark would not help the odds, which by now, I reckoned, had grown to 100m-to-1, give or take a billion.

I may be a gambler, but I am not completely stupid. So I turned the car around, pausing, once more, in Wittenberg en route to Hamburg. It was not yet dark, so I scurried briefly around the town where in 1517 Martin Luther posted his 95 theses against the papal sale of indulgences on the door of the Schlosskirche.

As I scurried, I dipped in and out of a hysterically funny travel guide to East Germany, published in Dresden in 1991 and reprinted in London last year by Berolina Travel Ltd of 22a Conduit Street. The guidebook says that Luther's action in Wittenberg marked him, alongside Thomas Muntzer, as "the most prominent figure in the history of the early bourgeois revolution in Germany in 1517-25," adding that Wittenberg "began to stagnate towards the end of the 16th century."

You could say that about the rest of eastern Germany, judging by the look of it. But that is not my affair. Next spring, I plan to redouble my search for those elusive diaries. I don't particularly like the odds. But I could certainly use the money.

PSST!! It's the Treasury here, old boy. We were wondering if you could be persuaded to act as co-sponsor for this dreadful BCCI affair. We'd give you a new passport, set you up for life.

Why pick on me? We've got to have someone, and you knew BCCI was dodgy. That I can't deny, but I was hardly responsible. That's what they all say - from Robin Leigh-Pemberton all the way up.

Why don't you announce that Leigh-Pemberton is to head a British mission to the first-ever planet discovered outside the solar system? The one that is orbiting the neutron star PSR 1529-10?

I say, old man, that's rather good. Even if he got there, he'd find it uninhabitable. So he'd have to start back again. But he'd never actually make it, would he, old chap?

The odds against Leigh-Pemberton returning from PSR 1529-10 are considerably greater than the odds against me finding the Hitler diaries, and those are not small.

A master-stroke, dear boy. Astonishingly grateful.

THE MANAGER of the Theatre Royal Drury Lane was rather surprised to see two men queuing for tickets for his current success, *Miss Saigon*, a musical set in a brothel. A friendly inquiry discovered that they were on an errand of mercy, buying tickets at the request of "that gentleman over there". The manager caught a glimpse of one of the biggest touts in London disappearing around the corner.

This helps to explain where some of the tickets for popular shows sold by the touts and rogue agencies, with exorbitant mark ups, come from. But it begs the question of why theatre-goers are prepared to pay over the odds. The American tourist who recently handed over \$300 (£121.90) for two tickets for *Miss Saigon* which each had a face value of £7.75, making them the worst seats in the house, could have avoided this calamity with a little foresight.

Here is a beginner's guide on how to get into a West End show without upsetting your bank manager.

The fail-safe way is to go in person to the theatre box office and pay the advertised price, which, for tonight, ranges from a minimum £3 for *Five Guys Named Moe* at the Lyric to a maximum £28.50 for *Carmen Jones* at the Old Vic. Of course it is much easier to phone the box office and book by credit card, or

## Psst! Fancy Miss Saigon for a fiver?

Forget the touts - if you want tickets to the top shows, Antony Thorncroft knows a better way

arrange to collect the tickets later for cash. But at once you enter the maze of complications which makes theatre-going in London such a bit and miss affair.

In many cases phone bookings present no problem and, as more theatre box offices become computerised, you can get through quite quickly. But still Moe, which owns 12 of the West End's 50 theatres, including the Palladium and the Theatre Royal, Drury Lane, is still in the throes of computerisation and is charging a £1 "service fee" for telephone bookings for popular shows, like *Joseph*, the latest Palladium hit starring Jason Donovan.

There is also the irritating minor disadvantage that a telephone booking rarely specifies your actual seat.

The next tentative step into the morass is to get your tickets from one of the specialist hot lines which offer a 24-hour credit card booking service - at a price. Keith Prowse, Ticketmaster and First Call dominate the market. They agree a commission with the theatre, which is usually a premium of between 20 and 25 per cent of the face value,

but, confusingly, can be nothing.

For example Ticketmaster is charging a fee if you want tickets for the new Dora Bryan musical *70 Gtts*, 70 at the Vaudeville, while Keith Prowse and First Call are making no charge. But for the first booking period on *Joseph* it was Ticketmaster which passed on its commission.

Blood brothers of the phone agencies are the seven members of the Ticket Agents Association - Abbey, Albemarle, Edwards & Edwards, Fenchurch, Lashmar, London Theatre Bookings, and Premier Box Office - which tend to be concentrated in Theatreland. They are regarded as completely respectable, charging a premium of between 20 and 25 per cent on the ticket price and informing the customer about the face value of the tickets.

They must be rigorously distinguished from their naughty neighbours who sell theatre tickets from behind the front of bureaux de change, travel agencies, or shops in the environs of Shaftesbury Avenue and St Martin's Lane.



It is these operators that cause most of the trouble. They do not disclose the face value of the tickets they are offering and trick tourists into paying well over the odds.

One common ploy is to give a voucher for tickets which are to be collected at the theatre just before the performance. Quite often the agent will not actually hold any tickets but sends a runner to acquire them and hand them over at the theatre. Invariably you will find you have paid up to £100 for a £10 ticket for *Phantom of the Opera* or £80 for *Miss Saigon* - and you have little redress. The agencies are now a bigger menace than the touts who prefer to work through them rather than hang around the streets.

The one place where you are still certain to find touts is alongside the Leicester Square Half Price Ticket Booth, which sells tickets forwarded to it daily by theatres with unsold tickets. At noon the booth opens for matinee tickets and at 2.30pm for evening performances. Tickets are limited to four per customer and there is a small charge, but the

booth is an ideal place to gain access to the West End theatre on the cheap. Early this year it sold its millionth ticket.

At the moment there are plentiful bargains because the West End is belatedly suffering from the fall in the tourist trade and the recession. Last year attendances were up by more than 3 per cent, topping 11m, but the first quarter showed a 15 per cent fall on 1990, and although there has been some pick up, more than half the shows in London are using the Leicester Square booth.

This week you could buy tickets for such excellent productions as *The Philanthropist*, *The Caretaker*, *Dancing at Lughnasa*, and the National Theatre's *White Devil*. The only show which never uses the booth is *The Mousetrap*, which does not mean that it is always sold out.

Only one production in London offers a hard ticketing challenge to the determined, theatre-loving tourist - *The Phantom of the Opera*, which is sold out until next spring. But there are usually 50 returns a day so a call to the box office is not totally wasted.

For other popular musicals, such as *Miss Saigon*, *Carmen Jones*, *Joseph* and *Les Miserables*, there may well be matinee seats available, or tickets for Monday and Tuesday evenings, as well as returns.

There are numerous other deals, such as half-price matinees for old age pensioners, and student discounts. Indeed research by SWET disclosed that while 24 per cent of the West End audience had "paid over the odds for their tickets, 22 per cent had managed some form of discount. So why not go for one of the 50 cheap tickets available daily at the National Theatre or the 65 seats at bargain prices at the Royal Opera House? London's other leading opera house, the Coliseum, has 30 available daily for as little as £4.

Do not be bamboozled into hiding the pockets of the touts. Take a little trouble and save a lot of money. The well-distributed London Theatre Guide, published by SWET (tel: 071-886-8193) offers a weekly update on the scene and publishes the special offers.

Once you have exhausted the 36 shows on offer in the West End you might consider a trip to Glyndebourne. This dreamlike opera festival in the beautiful South Downs is considered impenetrable by the touts, but might make the odd return for its more demanding productions.